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SUPERVISOR LEADERSHIP BEHAVIOR'S EFFECT ON TELEVISION NEWSWORKER PROFESSIONALISM

Submitted for:
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Media Management & Economics Division

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Supervisor Leadership Behavior's Effect on
Television Newsworker Professionalism
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ABSTRACT

The effect of supervisors' leadership behaviors on television newsworker professionalism is examined. McLeod & Hawley's (1964) professionalism index and the Path-Goal leadership theory are used as a framework for this study.

Professionally oriented newsworkers were found to be positively related to relationship-oriented leadership behaviors. A positive correlation between the professionals and the task-oriented leadership behaviors was also found.

Findings suggest that effective supervisors exhibit both relationship- and task-oriented leadership behaviors in retaining professionally oriented employees.

SUPERVISOR LEADERSHIP BEHAVIOR'S EFFECT ON TELEVISION NEWSWORKER PROFESSIONALISM

This study investigates the influence of supervisor leadership behavior on employee professionalism in television news organizations. A high level of professionalism is important to a television news organization, as it will aid in the effective execution of the organization's goals. The perception of a "professional" news organization is important in gaining the public's trust and acceptance (McLeod & Hawley, 1964). Moreover, a professionally oriented newsroom can better serve the mass media audience (Hodges, 1986). Leaders within news organizations must develop their management style to promote professionalism. Thus, an understanding of effective leadership behaviors and their effect on professionalism will benefit the overall success of television news organizations.

Professionalism

A profession refers to an occupation with special characteristics that set it apart from a trade or business. Professional occupations are afforded a higher social status (Hodges, 1986). Pound (1953) claimed that for an occupation to be classified as professional it requires specialized learning, it must be an occupation in which things are practiced (i.e. things are done as an art), and it must operate in the spirit of public service.

There is an ongoing controversy over whether journalism is a true profession or merely a craft. McLeod and Hawley (1964) believe that journalism is partly professionalized but lacks some important ingredients of a true profession. They developed a measure of professional orientation for journalists – a professional orientation index. Using an anonymous questionnaire, McLeod & Hawley (1964) surveyed newspaper editorial employees. Summing across the 12 professional questions on the survey and then subtracting the total of the 12 non-professional questions calculated each employee's professional orientation score. McLeod and Hawley concluded some newsworkers are more or less professionalized than others.

McLeod and Hawley's measure of professionalism has been used by other researchers to explore relationships between professionalism levels and a range of demographic and attitudinal variables within television news journalists. Examples of such studies include Weinthal & O'Keefe's (1974) analysis of professionalism among broadcast journalists in Denver, Idsvoog & Hoyt's (1977) research of professionalism and job satisfaction at Wisconsin network affiliated television stations, Wright's (1976) study of Canadian broadcast journalists, and Henningham's (1984) research comparing Australian and U.S. broadcast journalists.

Professionalism within a television news organization is generally seen as an asset. Within their study, McLeod and Hawley (1964) suggested that in defining a job, a professional person should place heavy emphasis on service, intellectual activity, autonomy, and influence. They defined professional journalists as those who are generally more concerned with ethical standards, more educated, more critical of their own employer, more independent on the job, less likely to take a non-journalism job, and less concerned about money and prestige.

A staff of professionally oriented journalists inherently benefits the news organization and the goals of the station. Hohenberg (1973) claimed that professional journalists perform a unique and essential service to society, because they believe strongly in ethical practices such as protecting sources, and they subscribe to occupational norms such as objectivity. Isdvoog and Hoyt (1977) concluded that television journalists with a high level of professionalism performed more skillfully than those with low professionalism. Similarly, Coldwell (1974) found that the presence of more professionally oriented newspaper photographers led to higher photojournalistic quality. Moreover, Guensburg (1999) concluded that industry experts see professionalism as the most important decision-making factor in ensuring that television news coverage remains responsible even as it continues to hold the interests of the viewers.

Professionalism is a system in which employees are socialized into the values and practices of the occupation and the organization. The difference in their levels of professionalism can be tied to the varying practices and values of the organization. The newsworker, unlike members of legal and medical professions, is under considerable organizational control (Becker, 1979). Newsworkers are almost totally dependent on news organizations for dissemination of their products.

Breed (1955) described the process in which a newsworker assimilated to the values of a newsroom. A developing newsworker goes through a socialization process, wherein early education may establish occupational competency, but professional values develop when on-the-job experiences begin. The learning of "policy" is a process in which the newsworker discovers and internalizes the rights and obligations of his or her status and the organization's norms and values.[1] He or she conforms to the norms of organizational policy through influential experiences including the organization's culture, structure, hierarchy, work groups, and supervisory leadership.

Path – Goal Theory of Leadership

As suggested above, supervisors play an important role in influencing the values assimilated by employees. A supervisor's job is to work with and through other people to facilitate the objectives of the organization and its members. Supervisors are responsible for planning, organizing, staffing, coordinating, controlling, motivating, and leading their employees

(Montana & Charnov, 2000, p. 2). In carrying out these responsibilities, the value systems of employees can be influenced. Based on their research on leaders, Kouzes and Posner (1987) proposed that leaders show others by their own example that they live by the values that they profess. What one stands for provides a "prism through which all behavior is ultimately viewed" (p. 192).

The situational approach to leadership considers leadership styles, abilities, and skills as well as the needs of the situation (Stogdill, 1959). It explains leadership as the interaction between the leader and the variables within the work environment (Price, 1991). Thus, a situation must be understood from four different dimensions: personal characteristics of the supervisors, the nature of the job itself, the nature of the organization, and employees' personal characteristics (Montana & Charnov, p. 266). Each dimension influences leadership effectiveness.

Taking those dimensions into account, Evans' (1970) and House's (1971) path-goal theory of leadership proposes that the psychological state of subordinates can be affected through leadership behaviors. These behavioral styles can have an effect on subordinates' motivational variables, such as greater job satisfaction, greater acceptance of the leader, and increased effort in job performance (Filley, House, & Kerr, 1976). Path-Goal theory identifies four leader orientations: supportive, participative, instrumental, and achievement-oriented. These orientations are distinguished by their degrees of relationship-oriented and task-oriented leadership styles. A relationship-oriented style reflects the extent to which a manager conveys friendship, mutual trust, and respect. A task-oriented leadership style is based on the extent of a manager's predilection towards organizing and establishing systems (Filley, House, & Kerr, 1976).

House's (1971) seminal study demonstrated the usefulness of the path-goal theory in examining leader behavior related to subordinate job satisfaction and role ambiguity at an equipment manufacturing company. By applying the leadership scales from the Leadership Behavior Description Questionnaire (LBDQ-XII) developed by Halpin (1957) and measures of satisfaction and role ambiguity derived by factor analysis, House found a significant relationship between task-oriented leadership behaviors, job satisfaction, and role ambiguity.

Schriesheim and Schriesheim (1980) tested several hypotheses using the path-goal theory. They studied the effect of task structure (the degree to which the task, execution rules and procedures were simple, repetitive, and unambiguous) on the relationship between leadership behaviors and subordinate satisfaction and role clarity among employees in a large public utility. Although task structure was not found to conclusively affect the relationship, the results support the usefulness of the path-goal theory. As the theory suggests, task- and relationship-oriented leadership behaviors appear to be important variables in studying supervisor relationships within organizations.

Powers (1991) studied the effects of local television news managers' leadership styles on worker job satisfaction and whether organizational goals were achieved, or even agreed upon by news managers and reporters. In applying the path-goal situational theory, Powers (1991) found that most news staff members perceived their news directors to have high levels of both task- and relationship-oriented behaviors. As relationship-oriented behavior increased, news staff members reported being more successful at attaining department goals. Moreover, the relationship-oriented news directors were positively related to the job satisfaction of news staff members. Thus, Powers' concluded that the success of television news departments depends on

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effective leadership in facilitating employee development, open communication, and integration of individual goals with those of the organization.

Overall, the path-goal leadership model suggests the benefit of the leader to influence the follower's perception of work goals, self-development goals, and paths to goal attainment (Gibson, Invancevich, & Donnelly, 1979, p. 223). Even so, task- and relationship-oriented leadership behaviors can be modified by environmental characteristics including work roles, organizational structure, and work groups.

Organizational Characteristics

Leadership behaviors influence employees in different ways depending on the external situational elements of employee's personal characteristics such as age, work experience, and environmental characteristics within the organization (Price, 1991).[2] The path-goal theory proposes the necessity of supervisors understanding all the characteristics of the work situation in order to become more effective leaders (House, 1971).

Influential environmental characteristics of television newsrooms include work roles, organizational structure, and work groups. Berkowitz (1993) identified two such work roles: news managers and information gathers (reporters/anchors). Before he undertook his study, Berkowitz (1993) observed that news managers and information gatherers face different pressures in their jobs because of their roles and their relationship to journalism and business. The common belief was that these pressures shaped the values that journalists expressed. Berkowitz found that although work roles may lead to distinctions in views about news selection, much greater distinctions likely stem from influences more complex than work roles alone. Social forces such as childhood and family background, friends, personal beliefs, and passions have been linked to motivations that lead journalists toward a career in local television news and to the actual conditions under which they work (Berkowitz, 1993).

Epstein's (1973) seminal analysis established the importance of organizational structure in the news selection process and on employee values at NBC News. In the news production process, a producer's primary role is to enforce the standards of the organization for which they work. Producers are directly accountable to executives for every minute of news shown on the air, as well as for overseeing the resources for producing it, i.e. correspondents and technicians. The effect of this process is that the news is partly shaped by organizational needs, and in part by the values of the producers and correspondents intimately involved in the process. Epstein (1973) concluded that the personal values of newsworkers are generally not decisive when they are in conflict with organizational values and norms.

Other studies found a connection between news selection and the newsworker's hierarchical place in the selection process. For example, a television news journalist waits for an assignment from a news director and, in turn, directs photojournalists to shoot the story, which directs an editor to finish out the news story (Bantz, McCorkle & Baade, 1980). Such hierarchical work roles delineate the television production process. Weinthal & O'Keefe (1974) concluded that the hierarchical organizational structure could also shape newsworkers' professional behaviors and values, as can such variables as degree of interpersonal communication, consensus among members, and accuracy of interpersonal perceptions.

Another environmental attribute of television news organizations is in work group relationships. Policies within newsrooms are generally vague and unstructured, allowing reporters some autonomy in their reporting style. Breed (1955) noted an "ethical taboo'" in newspaper organizations that prevented superiors from commanding employees to follow policy.

This type of unstructured environment and open working relationship promoted favorable attitudes from the employees toward the news organization and their managers. Similarly, Epstein (1973) found that the working relationship between executives and producers was usually informal, partly because most executives in the news divisions were recruited from the ranks of producers and maintain personal friendships. Yet, even in informal environments, news personnel are not independent of the producers because they are all ultimately responsible to the executives in fulfilling the needs and expectations of the organization (Epstein, 1973).

Johnstone (1976) found that increasing centralization in the news industry heightened job dissatisfaction. The lack of job satisfaction was related to a decrease in journalistic autonomy. As organizations grow, there is generally less two-way vertical communication and communication flow becomes predominately downward. Thus, staffers become less frequently involved in editorial decision-making. News people who found themselves in these downward communication settings perceived their professional autonomy as more circumscribed (Johnstone, 1976).

Gans (1979), however, observed that news organizations sometimes defy textbook generalizations on organizational practices. Although news organizations tend to look like assembly lines and bureaucracies, professionals nonetheless staff them. As professionals, these newsworkers are not given direct orders but "suggestions" so as to respect their professional autonomy and morale, which in turn affects their productivity. Consequently, Gans (1979) concluded that morale is primarily determined by the amount of control newsworkers have and the way superiors treat their work. Since most journalists have a strong commitment to and identification with their product, they can become discouraged when their fervor is restrained by what they consider unnecessary bureaucratic obstacles, unwillingness of superiors to listen to them, and undue interference with their autonomy.

Hypotheses

Three hypotheses were proposed based on the findings on professional orientation by McLeod & Hawley (1964) and Powers' (1991) use of the path-goal theory of leadership to explore leadership behaviors, environmental characteristics, and professionalism in television newsrooms.

H1: Professionally oriented newsworkers prefer employment in an environment with a participatory (relationship-oriented) approach to management.

H2: The extent to which managers are task oriented is inversely related to the level of professionalism reported by the organization's employees.

H3: Newsworker professionalism is positively related to longevity within the industry.

These hypotheses focused the study on understanding how employees view working within television news organizations. They also enable conclusions on how the leadership behaviors of supervisors affect employees' journalistic professionalism and whether a newsworker's professionalism is affected by their length of time employed within the industry.

METHOD

This study analyzed employees and supervisors who were employed at the television news and production departments of network television affiliates in the major and mid-size markets of Dallas - Ft. Worth, Texas (hereafter referred to as Dallas), and Birmingham - Anniston - Tuscaloosa, Alabama (hereafter referred to as Birmingham).

Procedure

The names of employees and supervisors assigned to the news and production departments at each station were obtained through personal visits and telephone calls. This study defined supervisors as those whom responded with a job title of Executive Producer, News Director, and Producer or specified another supervisory position. Employees were defined as respondents categorizing themselves as Anchor, Assignment Editor, Assistant Producer, Reporter, Sports, Tape Editor, Videographer, Weather, or specified another non-supervisory position.

A self-administered mail questionnaire and cover letter was sent to the subjects in the Summer of 2002 (See Appendix A). Self addressed, stamped reply envelopes were enclosed to encourage responses. Questionnaires were to be returned anonymously encouraging honest responses. Two follow up telephone calls at two weeks and four weeks following the initial mailing and one follow up post card mailing was sent three weeks following, to generate a greater response.

Questionnaire Structure

Questionnaires included three sections (See Appendix B). The first consisted of the Leadership Behavior Description Questionnaire (LBDQ-XII) as developed by Haplin (1957) where respondents described the behavior of designated leaders in formal organizations (Halpin, 1957).

Forty questions solicited responses on a 5-point scale to describe how managers might behave. Fifteen items were related to task-oriented leadership behaviors and 15 items were related to relationship-oriented leadership behaviors and the remaining 10 items were inert. Respondents reported the frequency their leader/manager exhibited each type of behavior

(Stogdill, pg. 144). Thus, Section 1 of the questionnaire operationally defined relationship-oriented and task-oriented leadership behaviors.

Section 2 of the questionnaire was based on McLeod's professional orientation index. The first set of questions rated desired job characteristics and present job satisfaction. The second set used a 7-point scale to rate the importance of situations that pertained to professionally oriented journalism. Responses to these items were used to create an employee professionalism index.

Section 3 solicited demographic characteristics of the respondents, including gender, job function, age, number of years in the industry, and number of years at their current job.

Participants

The population of this study included television news and production departments of network affiliates in the Dallas – Ft. Worth, Texas, and Birmingham – Anniston - Tuscaloosa, Alabama, markets. The observation between the two designated market areas (DMAs) reflects a nationwide sampling of major and mid-sized markets. The Dallas stations represent a larger DMA (Rank 7 with 2,195,540 television households representing 2.059% of US television households) and the Birmingham stations a mid-sized market (Rank 40 with 690,030 television households representing 0.647% of US television households). Established, 'non-entry level' market stations were chosen because they are more representative of the majority of competitive markets nationwide. The environmental characteristics, including corporate culture, organizational structure, work roles, and work groups, should be comparable to television news organizations nationwide.

A total of 11 network affiliates in these markets were analyzed.[3] Ten of the eleven stations (with the exception of WCFT which is owned by Allbritton Communications Inc. [4]) are owned by the nations "Top 25" television group owners based on percentage of US household coverage as calculated by the FCC in January 2002 (Cahners Business Information, 2002). These "Top 25" group owners should share common corporate cultures, organizational structures, work roles and work groups. For instance, as organizations increase in size, control structures become more centralized and more formal (Johnstone, 1976).

Data Analysis

A Pearson product-moment correlation analysis and an analysis of variance (ANOVA) were used to test the hypotheses. A one-way ANOVA was used to investigate sources of variation among groups including relationship-oriented and task-oriented leadership behavior scores and an employee's longevity. The purpose of this test was to determine significant relationships among the groups and a newsworker's professionalism. ANOVA is a versatile statistic that is widely used in mass media research (Wimmer & Dominick, 2000).

A Pearson product-moment correlation analysis was used to determine the strength of the relationship between professionalism and relationship-oriented leadership behaviors. Another correlation ascertained the relationship between newsworker professionalism and task-oriented leadership behavior. A final correlation sought to identify the association between an employee's length of time in the industry (longevity) and professionalism.

The Pearson correlation analysis is the most commonly used analysis in measuring the degree of relationship between two variables. The correlation varies between –1.00 and +1.00. A correlation coefficient of +1.00 indicates a perfect positive correlation and a correlation of -1.00 indicates a perfect relationship in the negative direction (Cohen & Cohen, 1975).

Independent variables include the relationship-oriented score, the task-oriented score and the employee's longevity. The dependent variable throughout the study is the professionalism index, which delineates the grouping of professionals and semi-professionals.

Missing data was handled by extrapolating the mean response from other participant responses. Five percent of the respondents (5 of 98) did not respond to the question regarding the number of years at their current job.

DESCRIPTIVE DATA

A survey of newsworkers employed by the stations included in the study yielded a 39% response rate. Respondents were fairly evenly balanced in gender and by market. A Pearson chi-square analysis showed no significant difference between the gender of respondents and the markets from which they responded (Table 1).

Upon comparing the respondents' traits by market, several similarities were found. The majority of respondents were college graduates, that classified themselves as employees (as opposed to supervisors) and they considered their supervisor's leadership behavior to generally be task-oriented.

Of the responding newsworkers, 85.7% were college graduates. No significant difference in respondents' education status was found between markets (Table 1). This similarity in education status may prove less important than the professionalism newsworkers attained on the job. As Breed (1955) suggests, education may establish a newsworker's occupational competency, but professional values develop when on-the-job experiences begin.

Based on McLeod & Hawley's (1964) professionalism index, a professional orientation score was determined for each respondent who were thus identified as "professional" or "semi-professional". The groups were formed by dividing the ranking of respondents as close to the median (46) of the professional orientation score as possible (Table 2).

Respondents in the professionally oriented group reported desiring a job that uses their professional skills and knowledge, that permits free expression, has competent supervisors and co-workers, that allows them to have an effect on the client and organization, and that contributes an essential service. Semi-professionals were characterized by their emphasis on prestige, monetary benefits, security and the human relation aspects of the job (McLeod & Hawley, 1964). Of the respondents, 56.1% were categorized as professional newsworkers, as opposed to semi-professional newsworkers.

Most newsworkers perceived their supervisors to have high levels of both task- and relationship-oriented behavior. Possible task-oriented scores ranged from 31 to 74, where 31 indicated low levels and 74 indicated high levels of task-oriented behavior. Possible relationship-oriented scores ranged from 35 to 63, where 35 indicated a low level and 63 indicated a high level of relationship-oriented behavior. The mean score for task behavior among the professional respondents was 55.8, while the mean score for relationship-oriented behavior was 49.5 (Table 2). Table 2 also shows that the mean relationship-oriented score for professionals was higher at 49.5, than the mean relationship-oriented score for semi-professionals at 45.8.

Several differences between the respondents by market were also observed. A significant difference was observed between relationship- and task-oriented leadership behaviors by market (Table 1). Birmingham respondents viewed their supervisors as significantly more task-oriented (98.1%) than the Dallas respondents viewed their supervisors (71.1%) at the $p \leq .01$ level. This observed difference might occur because there was a significant difference in employee and supervisor respondents between the markets. While the majority of respondents surveyed (78.6%) considered themselves employees rather than supervisors, higher proportions of respondents (96.2%) in the Birmingham market were employees (Table 1).

Another observed difference between the respondents by market was the number of years they had worked in the industry. While 64.3% of the respondents surveyed had more than five years of experience in the industry, there were significantly more respondents (83.0%) in the Birmingham market that had more than five years experience in the industry than in the Dallas market (42.2%) (Table 1). In future research consideration should be given to this difference. Would findings prove different if employees responding with like number of years in their industry were analyzed?

An additional difference between markets was the length of time an employee had worked at their current position. Overall, 42.9% of the respondents had worked at their current position between one and five years (Table 1). However, this number was significantly greater in the Dallas market (55.6%) than in the Birmingham market (32.1%) (Table 1). Upon general observation, the Dallas respondents appear to change jobs less than the Birmingham respondents. This difference could occur because of the difference in market size between Dallas and Birmingham. The Birmingham market (DMA 40) could be considered a training ground for newsworkers as they build their careers in hopes of moving into a larger market such as Dallas (DMA 7).

Table 3 reveals a distinction between the two markets in newsworkers emphasis of certain professional standards. These standards were posed on the questionnaire (See Appendix B) and newsworkers were asked how strongly they agreed with each statement. As in McLeod and Hawley's (1964) seminal study, it was the responses to these statements that derived the newsworker's professionalism index.

In general, respondents working in the Birmingham market consistently agreed more with the professional standards statements than the Dallas respondents. For instance, Birmingham respondents agreed significantly more that "A journalist should not continue to work for an organization if he or she disagrees with its editorial policy." Additionally, the Birmingham respondents expressed significantly greater agreement than those in the Dallas market that "Journalists have a legitimate claim to help determine news content and policies". Furthermore, Birmingham respondents agreed significantly more that "There should be required and periodic institutes or refresher courses" and that "There should be greater specialization in journalism". Finally, respondents in the Birmingham market agreed significantly more than those in the Dallas market that "Broadcast journalists should form an organization to uphold professional standards" (Table 3).

The data collected from the responses to the professional implementation items (See Table 3) provides evidence that more professional employees responded from Birmingham (58.5%) than from Dallas (53.3%), however this observed difference was not significant (Table 1). Professional respondents were fairly evenly balanced by market (Table 1).

Prior to this research it was speculated that respondents from the Dallas market would have more experience in the industry, attain higher education, be more professionally oriented, and view their supervisors as more relationship-oriented than the respondents in the Birmingham market. Rational for this speculation was based on the size of the markets. As the descriptive data shows respondents by market were comparatively similar in education and professional orientation. As for experience in the industry, it was actually respondents from Birmingham that had more experience than respondents from Dallas. Speculations regarding how employees viewed their supervisor were accurate, such that respondents from Dallas viewed their supervisors as being significantly more relationship-oriented.

RESULTS

Hypothesis 1, professionally oriented newsworkers prefer employment in an environment with a participatory (relationship-oriented) approach to management was supported. A correlation analysis (Table 4) indicated that this hypothesis was supported. The analysis variables included the measure of the relationship-oriented score and the measure of the professionalism index. A positive correlation ($r = .574$, $p \leq .01$) between the professionalism index and the relationship-oriented score was found. This association suggests a strong likelihood that professionally oriented newsworkers also prefer relationship-oriented leadership behaviors.

When this hypothesis was tested using a one-way analysis of variance (ANOVA), it was also supported: A significant relationship between the professionals and the relationship-oriented score with $F = 10.01$, $df = 1$, $p = .002$ (Table 5). The mean of squares between and within groups was divided to obtain the F ratio. Assuming a significance level of .01, the F ratio must be 3.92 or greater to show statistical significance (Wimmer & Dominick, 2000). Since the calculated F ratio of 10.01 is greater than 3.92, there is a significant difference between the groupings hence the first hypothesis is supported.

Hypothesis 2, the extent to which managers are task-oriented is inversely related to the level of professionalism reported by the organization's employees, was not supported. Conversely, a positive correlation was found between the professionalism index and the task-orientation score (r = .388, p ≤. 01) as shown in Table 4. This indicates that professionally oriented newsworkers also prefer task-oriented leadership behaviors. Even so, a stronger positive relationship was found between the professionalism index and the relationship-orientation score (r = .574, p ≤. 01) than between the professionalism index and the task-oriented score at (r = .388, p ≤. 01) (Table 4).

Likewise, a one-way ANOVA test revealed no significant difference between professionalism and the task-oriented score (F = 1.61, df = 1, p = .208) (Table 5). Assuming a significance level of .01, the F ratio must be 3.92 or greater to show statistical significance (Wimmer & Dominick, 2000). Since the calculated F ratio of 1.61 is not greater than 3.92, there is not a significant difference between the groupings hence the second hypothesis is not supported.

In addition Table 4 shows a significant positive relationship between the relationship- and the task-oriented score (r = .743, p ≤. 01). This suggests that respondents viewed their supervisors as having high levels of relationship- and task-oriented leadership behaviors. Further showing that hypothesis 2 is not supported.

Hypothesis 3 stated that newsworker professionalism is positively related to employees' longevity in the industry. As shown in Table 4, this hypothesis was supported. There is a significant positive correlation between employee longevity in the industry and the professionalism index (r = .434, p ≤.01) (Table 4). Thus as the number of years working in the industry increases, professionalism also increases.

When Hypothesis 3 was tested using analysis of variance, it was also supported. A significant relationship between professionalism and employee longevity was observed (F = 5.68, df = 1, p = .019) (Table 5). Since the calculated F value of 5.68 was greater than the statistically required 3.92 (Wimmer & Dominick, 2000), there was a significant difference between the groupings.

Limitations

The implications of the findings reported herein should be approached with some caution due to limitations in this study. First, this study was limited by a low response rate of 39 percent. Babbie (1992) states that a response rate of at least 50 percent is adequate for analysis and reporting. Justification for the continuation of this study was based on the demographic balance in the respondents, which were fairly evenly balanced by market and by gender. Of the respondents, 54.1% represented the Birmingham market and 45.9% were from the Dallas market. As for gender, 52% of the respondents were male and 48% female (Table 1).

A second limitation was in the scope of the population being examined. A more extensive representation of television markets, located in more diverse geographical areas, would provide a broader population. Even so, the present sample, of Birmingham and Dallas, represents a diverse group of respondents from a mid-sized and large television viewing area.

Future research should incorporate a survey of all stations owned by the nation's "Top 25" television group owners regardless of market size or location. This sample of the population would provide a more generalized representation.

Finally, the survey method itself may have contributed a limitation. The questionnaire was six pages long and took 30 minutes to complete. News organizations work on a strict schedule and finding an uninterrupted 30 minutes could have proven difficult for many potential respondents. Future research should incorporate personal interviews with television news and production department employees and supervisors. These personal visits would increase the response rate as well as generate further data for analysis.

DISCUSSION

The purpose of this research was to determine the extent to which television news supervisor leadership behaviors affect newsworker professionalism. The Path-Goal leadership theory was used as a framework to explore relationship-oriented and task-oriented leadership behaviors. McLeod & Hawley's (1964) professionalism index was used to identify professional and semi-professional newsworkers.

A better understanding of effective leadership behaviors can benefit television news organizations. As Breed (1955) described, employees are socialized into news organizations. He or she conforms to the norms of organizational policy through influential experiences including the organization's culture, structure, hierarchy, work groups, and supervisory leadership. Leaders who can learn to tailor their behaviors to the preferences of the professional employees would be able to better attain the organizational goals.

Professional employees place heavy emphasis on service, intellectual activity, autonomy, and influence. They are generally more concerned with ethical standards, more independent on the job and less concerned about money and prestige (McLeod & Hawley, 1964). Idsvoog & Hoyt (1977) concluded that employees with high levels of these professional values performed more skillfully than those with low professionalism. Thus such employees are more beneficial to a news organizations success.

Television news and production departments of network affiliates in a major (Dallas - Ft. Worth, Texas) and a mid-size market (Birmingham - Anniston - Tuscaloosa, Alabama) were surveyed via mailed questionnaires. The questionnaires included three sections, the Leadership Behavior Description Questionnaire (LBDQ-XII) as developed by Halpin (1957), a section of questions used to determine McLeod & Hawley's (1964) professionalism index, and a demographic characteristics section.

The supervisors responding in this survey reported high levels of both task- and relationship-oriented leadership behaviors. Situational leadership models make an underlying assumption that appropriate leadership behavior varies from one situation to another based on environmental characteristics within the organization. So the response indicating high levels of task- and relationship-oriented leadership behaviors may be due to the environment in which news gathering and reporting takes place. Supervisors must use both leadership behaviors within a news organization. Tannenbaum and Schmidt (1973) maintain that time restrictions in management situations alter the effectiveness of certain management behaviors. Coordinating television news coverage of crisis and other timely news events, call for a supervisor to be more task-oriented; i.e. assigning tasks, organizing, and specifying procedures. When the crisis is abated, more routine daily news situations call for a more relationship-oriented leadership behavior, i.e. where the supervisor conveys friendship, mutual trust, and respect. Relationship-oriented behavior may be necessary to develop newsworkers to their fullest potential.

Both task- and relationship-oriented leadership behaviors relate to newsworker professionalism. A stronger relationship was observed, however, between the relationship-oriented behavior and newsworkers professionalism. As the path-goal theory suggests, leadership behaviors can affect employee fervor, such as greater job satisfaction, greater acceptance of the leader, and increased job performance (Filley, House, & Kerr, 1976).

It is thereby concluded, that leadership behaviors can affect newsworker professionalism. However, because the results indicate that professionally oriented newsworkers also relate positively to a task-oriented approach to management, it cannot be concluded that one leadership behavior is more effective than another. In fact, it is important for a supervisor in a news organization to display both task- and relationship-oriented leadership behaviors in order for the organization to retain professionally oriented newsworkers.

Future Research

This study points to at least two issues that warrant further attention. First, future research is needed to understand how to retain professionally oriented newsworkers based on supervisor leadership behavior. Does a supervisor's leadership behavior affect a newsworker's job satisfaction? This information would be beneficial in reducing turnover and ultimately attaining the organizational goals.

A second avenue for further study is that of supervisor leadership behaviors amongst the nations highest-ranking television stations. If leadership behaviors can affect newsworker professionalism, then can a supervisor's leadership behavior affect a television station's audience ranking? If so, can news organizations improve their audience ranking by adapting their supervisors' leadership behaviors?

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FOOTNOTES

[1] Policy may be defined as the consistent orientation shown by a news organization.

[2] Environmental characteristics include variables beyond the employee's control such as corporate culture, work roles, organizational structure, resources available, performance expectations, and work groups.

[3] Stations Surveyed

Station	Market	Network Affiliation	Owner
KDFW	Dallas - Ft. Worth	Fox	Fox – a subsidiary of News Corp., Ltd.
KXAS	Dallas - Ft. Worth	NBC	NBC – a subsidiary of General Electric Co.
WFAA	Dallas - Ft. Worth	ABC	A.H. Belo Corp.
KUVN	Dallas - Ft. Worth	Univision	Univision
KTXA	Dallas - Ft. Worth	UPN	Viacom
KTVT	Dallas - Ft. Worth	CBS	Viacom
WBRC	Birmingham - Anniston – Tuscaloosa	FOX	Fox – a subsidiary of News Corp., Ltd.
WVTM	Birmingham - Anniston - Tuscaloosa	NBC	NBC – a subsidiary of General Electric Co.
WCFT	Birmingham - Anniston -	ABC	Allbritton Communications Inc.
WABM	Birmingham - Anniston - Tuscaloosa	UPN	Sinclair Broadcast Group
WIAT	Birmingham - Anniston - Tuscaloosa	CBS	Media General Inc.

[4] Albritton Communications Inc. owns and operates nine television stations in seven markets. All stations are affiliates of ABC (which is owned by Walt Disney). Allbritton also owns a 24-hour cable news channel (News Channel 8) that serves the Washington, DC area.

Table 1

Descriptive Characteristics of Study Population by Market

		Dallas - Ft. Worth n (%)	Birmingham - Anniston – Tuscaloosa n (%)	Chi-Square p value	Total n (%)
Gender	Male	25 (53.2%)	22 (46.8%)	.165	47 (48%)
	Female	20 (39.2%)	31 (60.8%)	.165	51 (52%)
	Total per market	45 (45.9%)	53 (54.1%)		
Education	Graduated from College	38 (84.4%)	46 (86.8%)	.741	84 (85.7%)
Professionalism	Employees grouped as **professionals.**	24 (53.3%)	31 (58.5%)	.608	55 (56.1%)
Leadership Behaviors	Employees who viewed their supervisor as **Relationship-oriented.**	13 (28.9%)	1 (1.9%)	.000*	14 (14.3%)
	Employees who viewed their supervisor as **Task-oriented.**	32 (71.1%)	52 (98.1%)	.000*	84 (85.7%)
Title	Supervisor	19 (42.2%)	2 (3.8%)	.000*	21 (21.4%)
	Employee	26 (57.8%)	51 (96.2%)	.000*	77 (78.6%)
Number of years in the industry.	Greater than 5 years	19 (42.2%)	44 (83.0%)	.000*	63 (64.3%)
Number of years in current position.	Between 1 and 5 years	25 (55.6%)	17 (32.1%)	.062*	42 (42.9%)

Note: *Significant difference based on Pearson Chi-Square at the $p \leq .05$ and $p \leq .01$ levels.

Table 2

Comparison of Mean and Standard Deviation Scores Between Professional and Semi-Professional Employees

	Professionals (n = 55)		Semi Professionals (n = 43)	
	M	SD	M	SD
Relationship Oriented	49.5	6.2	45.8	5.1
Task Oriented	55.8	12.2	53.1	7.6
Employee Longevity	2.60	.71	2.21	.91

Table 3

Mean Responses to Professionalism Implementation Items by Market

How Strongly Agree with:	Dallas – Ft. Worth	**Birmingham – Tuscaloosa – Anniston**	**ANOVA Sig.**	Total
Journalists should be willing to go to jail, if necessary, to protect the identity of their news sources.	4.76	5.36	.145	5.08
The emphasis on the five "W's" is overdone.	2.98	2.45	.075	2.69
A journalist should not continue to work for an organization if he or she disagrees with its editorial policy.	3.73	5.02	.000*	4.43
Journalists as a group have a legitimate claim to help determine news content and policies.	3.87	5.70	.000*	4.86
It is all right to take promotional or informational junkets sponsored by business organizations or governmental agencies if there are not strings attached.	3.16	3.25	.799	3.20
A college education should be mandatory for beginning journalists.	4.22	4.09	.743	4.15
For the working journalists, there should be required and periodic institutes or refresher courses at a nearby university, e.g. courses in economics or political science.	3.80	4.75	.004*	4.32
In early journalism training, it is more important to learn how to write than to get the story.	3.76	3.74	.961	3.74
There should be greater specialization in journalism, e.g. science, local government, business economics.	4.36	5.04	.033*	4.72
It is the duty of the station to its stockholders to do more than break even, even at the expense of cutting back the news function.	4.31	4.60	.388	4.47
Professions such as law and medicine have developed organizations to uphold professional standards. Broadcast Journalists themselves should form an organization to deal with problems that come up, and to police the profession.	4.20	4.77	.038*	4.51
If a member of a professional journalism organization commits an unprofessional action (e.g. takes a bribe), he or she should be disciplined by the professional organization.	5.40	5.74	.290	5.58
A broadcast journalist should be certified by his/her professional organization as to qualifications, training, and competence.	4.67	4.91	.494	4.80

Note: Significant difference based on one-way analysis of variance at the $p \leq .05$ level.

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Table 4

Intercorrelations between Professionalism Index and Relationship Oriented Score, Task Oriented Score, and Employee Longevity

	Employee Longevity	Task oriented Score	Relationship Oriented Score	Professionalism Index
Employee Longevity	--	.047	.069	.434*
Task oriented Score	--	--	.743*	.388*
Relationship Oriented Score	--	--	--	.574*

Note. *Significant at the p ≤ .01 level (2-tailed).

Table 5

One-Way Analysis of Variance between Professionalism Index and Relationship Oriented Score, Task Oriented Score, and Employee Longevity

Sources of variation		df	Sum of squares	Mean square	F	Sig. p value
Employee Longevity Professionalism Index	Between	1	3.68	3.68	5.68	p =.019*
	Within Groups	96	62.32	.65	--	--
	Total	97	66.00	--	--	--
Relationship Oriented Professionalism Index	Between	1	328.01	328.01	10.01	p = .002*
	Within Groups	96	3147.31	32.78	--	--
	Total	97	3475.39	--	--	--
Task Oriented Professionalism Index	Between	1	175.13	175.13	1.61	p = .208
	Within Groups	96	10470.7	109.07	--	--
	Total	97	10645.9	--	--	--

Note. *Significant at the $p \leq .01$ level.

APPENDIX A

Cover letter

Tuesday, August 27, 2002

Dear Professional Journalist,
I am a graduate student at X college in X, X. I am conducting a study for my final thesis regarding leadership behaviors and professionalism within television news organizations.

I'd like to ask you to take a few minutes to complete this anonymous questionnaire and return it to me. The questionnaire is designed to be folded, stapled, and mailed without the need of an envelope.

The study investigates the influence a supervisor's leadership behavior has upon an employee's professionalism within television news organizations. An understanding of effective leadership behaviors will benefit the overall success of television news organizations.

If you are interested in learning the results of this study, please email me your anonymous request.

Thank you for your time and consideration.
Sincerely,

APPENDIX B

News Professionals Survey

Leadership Behaviors

Following is a list of items that may be used to describe the behavior of your supervisor. Each item describes a specific kind of behavior, but does not ask you to judge whether the behavior is desirable or undesirable. This is not a test of ability. It simply asks you to describe as accurately as you can the behavior of your supervisor.

> **Note**: the term "group," as employed in the following items, refers to a department, division or other unit of organization that is supervised by the person being described.
>
> **Note**: the term "members" refers to all the people in the unit of the organization that are supervised by the person being described.

Directions: Think about how frequently the leader engages in the behavior described by the item.

Place an **X** in the box that applies.

	Always	Often	Occasionally	Seldom	Never
He or She does personal favors for group members.					
He or She makes his/her attitudes clear to the group.					
He or She does little things to make it pleasant to be a member of the group.					
He or She tries out his/her new ideas with the group.					
He or She acts as the real leader of the group.					
He or She is easy to understand.					
He or She rules with an iron hand.					
He or She finds time to listen to group members.					
He or She criticizes poor work.					
He or She gives advance notice of changes.					
He or She speaks in a manner not to be questioned.					
He or She keeps to him/herself.					
He or She looks out for the personal welfare of individual group members.					
He or She assigns group members to particular tasks.					
He or She is the spokesperson of the group.					
He or She schedules the work to be done.					
He or She maintains definite standards of performance.					
He or She refuses to explain his/her actions.					

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Directions: Think about how frequently the leader engages in the behavior described by the item. Place an X in the box that applies.	**Always**	**Often**	**Occasionally**	**Seldom**	**Never**
He or She keeps the group informed.					
He or She acts without consulting the group.					
He or She backs up the members in their actions.					
He or She emphasizes the meeting of deadlines.					
He or She treats all group members as his/her equals.					
He or She encourages the use of uniform procedures.					
He or She gets what He or She asks for from his/her superiors.					
He or She is willing to make changes.					
He or She makes sure that group members understand his/her part in the organization.					
He or She is friendly and approachable.					
He or She asks that group members follow standard rules and regulations.					
He or She fails to take necessary action.					
He or She makes group members feel at ease when talking with them.					
He or She lets group members know what is expected of them.					
He or She speaks as the representative of the group.					
He or She puts suggestions made by the group into action.					
He or She sees to it that group members are working up to capacity.					
He or She lets other people take away his/her leadership in the group.					
He or She gets his/her superiors to act for the welfare of the group.					
He or She gets group approval in important matters before going ahead.					
He or She sees to it that the work of the group members is coordinated.					
He or She keeps the group working together as a team.					

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Desired Job Characteristics

People look for different things in their occupations that make their work satisfying to them. Below are some job characteristics that can be applied to most occupations.

How important are they to you? **Directions**: Place an **X** in the box that applies	**Extremely Important**	**Quite Important**	**Somewhat Important**	**Not Important**
Full use of your abilities and training.				
Opportunity for originality and initiative.				
Opportunity to learn new skills and knowledge.				
Getting ahead in your professional career.				
Having a job with a TV news organization that is known and respected by other journalists.				
Having a job this valuable and essential to the community.				
Respect for the ability and competence of co-workers.				
Opportunity to have an influence on the publics' thinking.				
A supervisor who appreciates the time you spend in improving your capabilities.				
Freedom from continual close supervision over your work.				
Having influence on important decisions.				
A job that makes the organization different in some ways because I work for it.				
An enjoyment of what's involved in doing the job.				
Availability of support; working with people who will stand behind a person – help out in a tough spot.				
Getting ahead in the organization you work for.				
Salary; earning enough money for a good living.				
Working with people rather than things.				
Security of the job in its being fairly permanent.				
Excitement and variety the job provides.				
Being with people who are congenial and easy to work with.				
Having a job with prestige in the community.				
Having a prestigious job in the organization.				
A job that brings me in contact with important people, e.g. community and state leaders.				
A job that does not disrupt my family life.				

Professional Items

People look for different things in their occupations that make their work satisfying to them. Below are some job characteristics that can be applied to most occupations.

How do you feel about each statement? **Directions:** Place an X in the box that applies.	Strongly Agree	Agree	Somewhat Agree	Neither Agree nor Disagree	Somewhat Disagree	Disagree	Strongly Disagree
Journalists should be willing to go to jail, if necessary, to protect the identity of their news sources.							
The emphasis on the five "W's" is overdone.							
A journalist should not continue to work for an organization if he or she disagrees with its editorial policy.							
Journalists as a group have a legitimate claim to help determine news content and policies.							
It is all right to take promotional or informational junkets sponsored by business organizations or governmental agencies if there are not strings attached.							
A college education should be mandatory for beginning journalists.							
For the working journalists, there should be required and periodic institutes or refresher courses at a nearby university, e.g. courses in economics or political science.							
In early journalism training, it is more important to learn how to write than to get the story.							
There should be greater specialization in journalism, e.g. science, local government, business economics.							
It is the duty of the station to its stockholders to do more than break even, even at the expense of cutting back the news function.							
Professions such as law and medicine have developed organizations to uphold professional standards. Broadcast Journalists themselves should form an organization to deal with problems that come up, and to police the profession.							
If a member of a professional journalism organization commits an unprofessional action (e.g. takes a bribe), he or she should be disciplined by the professional organization.							
A broadcast journalist should be certified by his/her professional organization as to qualifications, training, and competence.							

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Demographics

What is your **job title** and/or responsibility?
Place an **X** in the box that applies.

Anchor	
Assignment Editor	
Executive Producer	
News Director	
Producer	
Assistant Producer	
Reporter	
Sports	
Tape Editor	
Videographer	
Weather	
Other newsroom position *(specify)0*	

Gender
Place an **X** in the box that applies.

Male	
Female	

Experience
Write in the number of years.

How many years have you been employed in your current newsroom?	
How many years have you been employed in the industry?	

Education Place an **X** in the box that applies.

Some High School	Graduated from High School	Some College or Tech School	Graduated from College	Some Graduate School	Master's Degree	Advanced Graduate Degree (Doctorate, Law, other)

If you are interested in learning the results of this study, please **e-mail** me your request.

Thank you for your time and consideration.
Sincerely,

MME

Applying the Structure-Conduct-Performance Framework in the Media Industry Analysis

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ABSTRACT

This article critically reviews the current state of applications of the Industrial Organization Structure-Conduct-Performance (S-C-P) paradigm in the literature of media economics. Within this paradigm, *performance* is often construed as the achieving of particular objectives with social or political value, including localism, free speech, diversity of ideas, fairness, equity, and so on. Views based on this either implicitly assume or explicitly state that the socially-defined performance of any media system *prima facie* bears a relationship with the market structure. Such conceptualisations and interpretations in media market studies are compared against orthodox economic notions of market performance and accordingly commented upon. Issues which are often approached by the S-C-P model are also re-treated. First, using the economic conception of the market, we delve into how market competition can, or cannot, be attributed to media diversity – a thorny media issue. Then, the paper explains the importance of explicitly accounting for underlying economic characteristics of the communications industry and products in the S-C-P analysis in order to gain a better grasp of how the media market evolves. The redefinitions and clarifications put forward in this paper are attempted to contribute toward a more consistent analytical framework for examining media industries.

On Applying the Industrial Organization Structure-Conduct-Performance Framework: Toward a Better Economic Analysis of Media Markets

Introduction

The Structure-Conduct-Performance (S-C-P) paradigm has become a common approach in economic analyses of communications industries and markets. This analytical framework, well-established in the industrial organization (IO) economics, evaluates the operation of a market through inspecting the three elements of the market– structure, conduct, and performance – and their interrelations. This model provides a logical approach to conceptualizing the operation of a media market and facilitates straightforward empirical examinations. Its usefulness also lies in its capability of generating normative implications. Information collected about the performance of a market serves as a vital component in the making of policies governing the market's structure and the conduct of firms. This IO approach has been accepted zealously by media researchers as a framework to answer the general question—how a media service is provided to society through the market operation. Articles came forward to illuminate and comment the media application of S-C-P, e.g. Albarran (1996 & 1998), Busterna (1988a), Gomery (1989 & 1993), McQuail (1992), Owers, Carveth, & Alexander (1993), Wirth & Bloch (1995), Young (2000). Yet, despite its value and increasing adoption, the current state of the S-C-P model's application to the media begs to be further considered. Some recurring misconceptions and misinterpretations seen from this research line, as pointed out later, have led to arguments and propositions that depart from a clear understanding of IO economics. This paper critically assesses how the S-C-P framework is employed by researchers of media markets and related areas, and then addresses certain issues pertaining to media markets that can benefit from the elucidation of the S-C-P framework.

The S-C-P framework has been applied with too much freedom and imprecision by media scholars. What it has usually revealed is largely determined by the angle it is approached from. It is not rare to see that an S-C-P media analysis begins with a nebulous, subjective view of what the theory implies, and concludes with circumstantial or stylized interpretations. Many media studies that applied the model failed to scrutinize whether their interpretations sustained the economic logic underlying the model. Incomplete and even errant ideas of the framework's constructs have distorted what the model could properly demonstrate. As a salient example, *performance* is often construed as the achieving of particular objectives with social or political value, including localism, free speech, diversity of ideas, fairness, equity, and so on. Views of this kind either implicitly assume or explicitly state that the socially-defined performance of any media system *prima facie* bears, just as its economic performance does, a relationship with the structure of the market in which the system operates. However, it is still an open question whether these performance criteria can be served by market competition. Arguments for the market approach to promoting social objectives are plagued by the failure to test the viability of the presumed causal link between market structure and these prescribed performance aspects.

The purpose of this essay is to call attention to common misconceptions in interpreting and applying S-C-P in the context of media markets. By identifying and clarifying the problems, this essay helps to channel our media market research in more productive directions. The rest of the paper is organized as follows. Section 2 elaborates the microeconomic notion of market "performance" and, based on this

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expounded notion, explicates its relation to market structure. Section 3 rethinks the "social-value" views of performance and contrasts them with the economic benchmark definition. Section 4 discusses the connection between media diversity and market competition, a thorny issue in media studies. In Section 5, the paper stresses the importance of explicitly accounting for fundamental economic characteristics of the communications industry and products in S-C-P analysis, before concluding with a summary and a few remarks in Section 6.

Economic Interpretation and Performance Measurement

The term "performance" as used by IO economists generally refers to the degree to which the operation of a *market* can achieve economic efficiency. The market is more efficiently operated when the good transacted in the market is manufactured by transforming resources more thriftily and is then allocated to those who make higher valuations. Performance is appraised with reference to a market, which is made up of a group of buyers and sellers, rather than to individual economic agents such as firms.[1] Perfect competition is conventionally deemed as a market structure yardstick to illustrate how efficiency is attained. Of course, pure competition hardly exists in media markets. However, understanding this market model is always meaningful, relevant, and necessary to consider the performance of a market (McConnell & Brue, 2003, p. 439).

Competition coerces sellers to offer an ever lower price in order to attract sales. In such a market, no seller can unilaterally raise its price without the risk of losing business. For any drop in the market price, extra customers, who value it at the market-clearing price at least, will emerge for the good. In theory, the price will be kept so low that all individuals who are willing to pay not less than the marginal cost will consume the good, but not anyone else. If this happens, allocative efficiency is maximized.

To reap more profits, competing firms have to continually search for less costly ways to produce and to increase customer valuation. As producers are urged to innovate, the competition perpetuates an ongoing progress in terms of efficiency that accrues to the industry. When the least costly technology prevails over the competition, productive efficiency is reached. When both productive and allocative efficiency materializes, the social welfare gain owing to the trade of the good is optimized. This microeconomic model of price competition is a pivotal characterization of the notion of market performance and underlies the logic of how structure and performance can be interlinked.

It becomes clear that the IO notion of performance and the view of its relationship with structure and conduct are rooted in the premise that variations in competitiveness cause a change in the urge felt by sellers to furnish what buyers demand. The demand is better served when the net value given by the consumption of a product is augmented via price reduction or quality improvement. For-profit firms endeavor to make their respective products more attractive in the eyes of customers so as to capture their patronage. This mechanism that drives firms to offer what consumers desire is the *sine qua non* of market competition's ability to enhance economic performance. Different market structures (i.e. perfect competition, monopolistic competition, oligopoly, duopoly, or monopoly) give varying degrees of

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[1] In their volume, often cited among IO-based media market studies, Scherer and Ross (1990, p. 4) made this clear: "performance in particular industries or markets is said to depend upon the conduct of sellers and buyers."

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motivation for a seller to aggressively improve its performance. In turn, how keen the firms in a market are to supply a higher net worth over the cost dictates the state of efficiency (performance) of the market. This logic is at the core of the S-C-P model.

By virtue of the concept of efficiency stated above, measures of market performance in IO economics have been intended to unveil the extent of the exercised market power of sellers in a market, and to ascribe it to different market structures (Carlton & Perloff, 1994). A market is said to display poor performance if it experiences undue market power that prevents social welfare from reaching its maximum possible level. Since market power is hard to quantify directly, performance measurements mainly try to detect signs accompanied by market power or supernormal profits extracted. One commonly used indicator is the price-cost markup or Lerner index. This expresses how far the market price of a good diverges from its marginal cost of production. Two other performance gauges are rate of return and Tobin's *Q* (Carlton & Perloff, 1994). A rise in either measure corresponds to an increase in sellers' joint profit and thus signals a larger likelihood of supernormal profits *ceteris paribus*.[2]

The pervasive practice of price-based measures for market competition or performance suggests that price is by far the most prominent competitive instrument used by firms; or at least that this is so from the viewpoint of economists. Still, firms can engage in non-price competition. The above discussion of the competition-efficiency link is still applicable when competition takes the form of offering product quality.

Mass Media Market Performance and its Relationship to Market Structure

A theory is of little utility if its variables or constructs are ill-defined. The meaning of "performance" in the SCP media studies is invested with kaleidoscopic but incoherent views and, all too often, is developed according to one's specific need of analysis rather than pursuant to a systematic economic understanding. For instance, performance is taken as individual firms' profitability in analyses of media companies' strategic viability, (e.g. Chan-Olmsted, 1997; Albarran & Moellinger, 2002; Williams, 2002). In studies on programming competition, performance is evaluated in terms of audience ratings (e.g. Shrikhande, 2001). For many other scholars who argue from a social/political standpoint, "performance" symbolizes certain required social responsibilities for the mass media to fulfill to the betterment of a democratic society. In his widely-cited writings that championed the S-C-P framework for the media industry analysis, Gomery (1989 & 1993) propounded several performance criteria to rate the media. These qualities included freedom of speech, public order, diversity, and access, among others. McQuail (1992) voiced the similar proposition. Also, other commentators stress localism (e.g. Napoli, 2001). It is increasingly common among media market researchers to judge performance according to whether certain social objectives– equality, participation, cohesion, etc.– are met (Gomery, 1993 & 2000; McQuail, 1992; Busterna, 1988b; Lacy, 1987 & 1988; Napoli, 2001, p. 154). Despite their undeniable importance considering the peculiar nature and role of the media system both as a business enterprise and a social function, these facets may not agree with the economic construction of performance in the SCP model and, thus, risk amounting to a rather unguided or even arbitrary application.

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[2] Other aspects can be designated to the measurement of performance such as full employment or equity (Scherer & Ross, 1990), but their relationships have neither been theorized nor validated even in economics literature.

An approach to judging the media differs from one another and is embedded in the analyst's perspective orientation along the market versus social-value continuum (Entman & Wildman, 1992). If the media's social fabric is downplayed, then they will reduce to "just another business," for which market forces are the only influence (Gomery, 2000). To many, treating the media as a pure enterprise sector is surely disconcerting. With that said, however, the centerpiece of the S-C-P application to the media context does not concern the lofty debate about choice between social or economic approaches, but resides in the practical question of whether the structure-conduct-performance logic can still maintain when performance is defined in a social dimension. To speak, we need to ask if the level of the social performance of the media systematically responds to the state of the market.

The view to define performance variables as described above and relate them to market structure presupposes that increased market competition results in greater satisfaction of such a given performance criterion. This proposition that these performance qualities are market competition driven requires two key assumptions: First, audience members must *individually* "demand" these qualities. Second, media firms then must compete with one another in these dimensions for attracting audiences or advertisers and also must be able to adjust the amount of these qualities in their products as a deliberate decision to optimize their competitive position vis-à-vis rivals. These assumptions are vulnerable, if not untenable altogether. The rationale for them is entirely left unarticulated. The literature knows very little about the social values' role in the individual viewing, listening, and purchase decision. Specific questions can illustrate. Does one really prefer a television program that holds a high potential to promote "public order" to others, with other things being equal? Do individuals really receive *utilitarian enjoyment* from media goods that score high in "social fairness"? If the answers are negative, it means that having social qualities or not is not a factor for the survival of a media product from competition.

The competition-social media performance relationship inflicts a vacuum of research support.[3] Painfully scant empirical attempt has been devoted to this proposition (Shoemaker & Reese, 1991, p. 209). McQuail (1992, p. 116) admitted that research fails to establish cogent empirical connections between competitive conditions and the social performance terms. This blatant lack of evidence leads us to think that media producers, competitive or not, do not respond to the social qualities insomuch as these qualities are not in users' valuation map. With no basis for commercial forces being conducive to the claimed social media qualities,[4] such an interpretation of the economic SCP model is self-serving at best.[5] For sure, media organizations, more than any other industrial sectors, operate both in the political and economic spheres. Yet, we should be discreet about attributing the media's social/political performance to market forces. Wisdom already exists to warn about

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[3] Incidental evidence for such a positive competition-performance link includes: Lacy, 1987 & 1988. In an enquiry into economic conditions and the content performance of newspapers, Lacy, Fico, and Simon (1989) detected a negative relationship between competition and the fairness (or balance) of journalistic reporting. Bigman (1948) found no market impact on newspaper content performance.

[4] In commenting on corporate ownership's effect on the character of a newspaper, Dreier (1982) held that exercise of corporate power does not necessarily ripple into editorial decisions.

[5] Gomery (2000) pointed out, "Analysis of economic structure (and conduct) initiates and logically leads to analysis of performance. Indeed, what media scholars and critics care most about are the economic linkages to media performance (p. 522)." However, the presumed linkage between these socially-viewed performance and economic market conditions has not move out of state of speculation.

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the faith that competition improves the social media performance from what monopoly can provide (e.g. Krattenmaker & Powe, 1994, p. 44; Mullainathan & Shleifer, 2002).[6]

Of course, it is not to say that media firms' operations in the market generate no impact whatsoever on the society's welfare. Violent programming used by competitive television broadcasters to attract viewers/sponsors can cause harmful behaviors among the audience (Hamilton, 1998). Diversity of ideas and views presented from the media contributes toward an informed citizenry, which benefits all constituents of the society (Entman & Wildman, 1985). The influences, though indisputable, arise not from the purposeful business decision but as a form of cost or benefit externality to the transactions between users and suppliers of media products. These aspects, with others, affect how the social role of the mass media is played, but are not incorporated by individual providers' calculus. To internalize externalities or, say, redress market failure resulted requires regulation or coordination of market conducts. The difference between competition and the lack of it is not relevant, rather.[7]

The faith in market forces to meet social responsibilities of the mass media seems to be closely allied to the general overstatement about the power of competition. From this, we have clarified that market competition has its limit in reaching all goals intended to the public interest. Competition between firms can advance qualities demanded by buyers but do not interact with those which are not.

Measuring Diversity as Media Performance

It is a tradition within media economics research to trace the content diversity presented by a media market and its relationship to market competition. [5] The issue of media diversity is merely one aspect of the broader theme of media performance, but it is important in its own right since the pluralism of ideas, opinions, values, and so on, and the multiplicity of forms that convey them are considered as a cornerstone of a modern democratic citizenry (see Napoli 2001 and McQuail 1992 for arguments about diversity).

An article of faith within the diversity research remains that market competition in a media industry affects the diversity of content created. Sometimes, competition and diversity are even treated as interchangeable (e.g. Napoli, 2001, p. 25). The concept of competition, however, is left too broad to be properly operationalizable. Almost all studies in this line measure competition by counting firms. This way to measure equates competition with mere existence of the multiplicity of suppliers and assumes more rivalrous behavior and effect inherently take place among a larger

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[6] Even when competition is proved to affect social performance, the opposing direction is seen - competition exacerbates, instead redresses, some form of bias in the media, for instance (Mullainathan & Shleifer, 2002).

[7] Other propositions concerning the evaluation of media performance have also been put forward that are incompatible with the reality of the market. For example, newspaper researchers have looked at newspaper space devoted to news/editorial over advertisements as a performance quality, presuming that commercial messages are undesired by readers and so can be reduced by market competition (Bogart, 1981; Lacy & Fico, 1991; Compaine, 2000, p. 19). This proposition unwittingly disregards the fact that advertising is sought after as well by readers simply because it carries information essential to the lives of local residents (Dertouzos & Trautman, 1990). It is a rather strange expectation that competition will keep low the number of advertisements included in a paper. "media performance is often assessed by criteria which have nothing to do with normal business criteria, and may even be inconsistent or in conflict (for instance, political criteria) . . ." (McQuail, 1992, p. 90).

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cohort of sellers. But, potential for competition is not the same concept as competition itself. No consensus has been among economists about a monotone relationship between market concentration and the intensity of competition (Scherer & Ross, 1990). The bulk of attempts that claimed to measure the competition effect on diversity actually measure ownership (source) diversity–content diversity, precisely speaking, once this distinction is made. Bifurcated results are seen from them, adding to the confusion about studying media diversity.

Some have found a positive empirical association between the count of independent media suppliers or channels and the diversity level. But, these findings coexist with some other reports in which the opposite relationship is detected. Hellman and Soramaki showed that concentration was against the diversity of video content in the videocassette market in their 1994 study, but had the opposing results in their earlier work (1985). As for the popular music record market, Peterson and Berger (1975) and Rothenbuhler and Dimmick (1982) attributed the higher variety of music content to their market competition measures, while Burnett (1992) discovered a trend of firm concentration-related music diversity from 1981 to 1989. Dimmick and Pearce (1976) demonstrated a link between the diversity of US prime-time programs and competition, even though Lin (1995a & 1995b) obtained results that showed the prime-time diversity decreased in response to the mounting competition during the 1980s compared to 1970s. In sum, it is quite hard to derive systematic insight from the potpourri of the findings into the source-content diversity.

In the diversity literature lacking consistent results, the logic of the competition-diversity relationship is scarcely understood so *ad hoc* explanations are usually used to account for whatever results arrived. One major gap in the understanding is the process in which media content diversity makes its way from competition. Without the theoretical basis behind, research efforts of such a sort are prone to the failure to generate practical insights for the question of how we can rely on markets to create media diversity.

In the language of content diversity seems to be a belief, albeit a vague one, that content suppliers *individually* offer higher diversity as an economic good to outrun each other. This view is, if not altogether incorrect, at least incomplete.

Media offerings, by nature, are differentiated products (Rosse & Dertouzos, 1978). As Hotelling-type sellers, media sellers distinguish their content products to avoid head-to-head rivalry as for the homogenous product. In the monopolistic competition oligopolies strive for consumers with heterogeneous tastes.[8] Assorted supply arises naturally when producers serves a new profitable market niche (Entman & Wildman, 1985).[9] The landmark models of program choice developed by Steiner (1952), Beebe (1972 & 1977), and Owen and Spence (1977) gave a formal treatment of Hotelling-type media diversity and its relation to market structure.[10] This monopolistic competition, while widely quoted, is not modeled in the empirical diversity work. Hotelling differentiation is prevalent in many media segments. Local TV news and radio programming are examples (Powers, 2001; Rogers & Woodbury, 1996); others are magazines and cable television channels.

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[8] Monopolistic competition in the media industries exists not merely among firms of the same media form but also between firms that use different communication channels.

[9] As profit-motivated producers succeed in carrying out the differentiation strategy, the market makes available an assortment of products.

[10] See Li and Chiang (2001) for a complete review on media diversity and competition.

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In the pure Hotelling competition, individual producers do not compete in creating *within-firm* diversity. Instead, they, differentiated, collectively present a menu of product variety. Herein, the firms face no need to produce individual diversity. In other words, diversity occurs out of the existence of different firms, but from a firm's production. Thus, it is more logical to regard the market diversity as a demonstration of differentiated competition rather than as a market performance. If diversity is said desirable, then performance should be referred to the creation of (or allowance for) competition at the first place or the fostering of factors that increase media sellers viable in the market.

How many differentiated firms can be accommodated in the competitive market is determined by exogenous variables, those that are beyond individual firms' consideration or control: market size, distribution of taste groups, size of entry barrier, operation cost, as well as others (Mankiw & Whinston, 1986). Any change in the number of differentiated goods produced (or, say, the level of diversity) directly reflects a shift in any of the factors. As an example, the continual progress in music (CD) recording and production technologies had reduced the barrier of entry to and the operation cost of the music business and so got more CD titles produced by more CD makers (Gandal, Kende, & Rob, 2000). Social-value adherents welcome any increase to the diversity of media outputs always as beneficial to the society. To economists, the benefit of product diversity should be weighed against the costs of providing it. Excessive entry, even differentiated, is considered socially inefficient (Berry & Waldfogel, 1999a & 1999b; Mankiw & Whinston, 1986).

Without explicitly accounting for the cost determinant, to explain the level of differentiated supply by counting market concentration is not revealing anything meaningful. The concentration extent of supplier and demonstrated content diversity both are just the artifacts of the cost structure. In light of product differentiation, ascribing the produced diversity to the division of the market among firms is actually tautological. Then, any observed relationship between market concentration and diversity is hardly surprising.

Besides, there are situations where one media firm can offer multiple products, each differentiated. Prime examples are that music record companies, satellite channels, or movie production studios. For an increase in share concentration, firms do not necessarily have a stronger motivation to provide less diverse media products, since any unserved market niche will invite entry.

What makes the inquiry into competition/diversity even more bewildering is firms' strategic behavior (Young, 2000). A market leader has a greater incentive to overcrowd the market with a multitude of products than when it does not have the first-mover advantage so as to deter prospective differentiated entrants (Scherer & Ross 1990, p. 404). This competition-diversity relationship becomes confounded since a market dominated by the entry-blockading behemoth may display more differentiated goods than what a state of competitive equilibrium could maintain. For this reason, niche media channels or products, even after being acquired by a media conglomerate, may still be let continued in business and so diversity in the media market will not decline merely because of the acquisition. Developments in the cable programming channel and the pop music markets, for example, tend to support this conjecture. The findings of Burnett (1992), who inspected diversity in the record market, are also consistent with it.

Within-firm diversity competition does exist in media industries.[11] Multichannel video programming distributors (MVPDs)–cable and satellite TV operators– wrap up channels into a package sold to variety-appreciating household subscribers (Wildman & Owen, 1985). Competition impels these content packagers to throw in more channels (Waterman & Weiss, 1997; Litman & Ahn, 1997). Competing Internet content providers (like the portals) present all-inclusive menus. A face-to-face battle between newspapers leads to a broader lineup of publication features.[12] Here, what is offered is not an individual differentiated product as in the Hotelling dynamics, but content diversity presented in a media bundle. A larger scope of variety attracts more media customers. Then, sellers who wish to compete up have to build a sufficiently diverse and, therefore, long portfolios. It follows that market concentration or power will directly affect the scope of diversity packaged by the sellers.

Not all media markets can be shoehorned into the pure Hotelling model and the model of within-firm diversity competition. For other situations, diversity is generated in a context that is between the two abstracted characterizations. A media outlet can produce many differentiated sales products, each of which still contains diversity in itself. Even though the two media competition models do not always apply immediately, it is very crucial to clarify the distinction so that any content market under an empirical examination can be formally modeled against these two benchmarks. Any attempt to examine competitive impacts on diversity should begin by identifying the appropriate competition model for the context under study. Measuring market concentration as an indicator of competition strength and, so, taking it as a driver for media diversity risks obscuring the diversity analysis.

Market Structure as the Consequence of Underlying Product and Market Characteristics

Many studies in media economics unfold their SCP analysis in a rather streamlined or simplified organization: first, the structure of a market or industry is identified, then firms' conduct is examined and related, and finally conclusions are inferred about performance. Such an analysis approach leaves the question untouched about how the market structure exists in the first place. An impression was spawn, consciously or not, that a market structure is blamed as the ultimate culprit for a non-competitive consequence, and when concentrated market control is witnessed, structure-based policy or regulation remedies or restrictions can be imposed to rectify the perceived evil.

As noted by some (e.g. Wirth & Bloch, 1995; Young, 2000), the neoclassic IO theory holds that structure, conduct, and performance of a market interrelate one another bi-directional. The status of a market alters when firms' strategized actions (competition, consolidation, predation, or collusion) shift their positions between. The one-way linear causality of the SCP elements has been an incomplete or faulty improper conceptualization. Even sidestepping this, the structure cannot be fully understood without market characteristics of the industry in study being explicitly considered.

Fundamental demand and supply factors tremendously affect sellers' business decisions and behaviors and in turn shape how their market is organized as it is. As an example, extensive scale economies of production push firms for a large output and goad them into a market share competition. Thus, how many suppliers can survive in the market is intrinsically constrained. Strength of scale economics is more or less responsible for the contrast between some media markets that are served by a single seller (such as newspaper) and others by many (such as cable television channels).

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[11] Entman (1985) and Entman and Wildman (1992) coined the term "vertical diversity" in reference to the degree of product multitude presented by a single firm. On the other hand, another term "horizontal diversity" means the variety made available by all different suppliers in a market.

[12] National television networks, particularly in the pre-cable era, provide an instance of this too.

In a pioneering treatise in this field, Rosse and Dertouzos (1978 & 1979) characterized the economic traits of media products– scale economies, public goods, product differentiation, and the advertising-content demand interdependence– and discussed their implications concerning market behaviors. Since then these factors came under scrutiny of various economic media studies. Another powerful force in the communication markets is network externality (see Owen & Wildman 1992 for a review). It is because the values of communications products and services' chiefly depend on their user bases. The current sophistication of the study of media economics was indebted to the advanced understanding of the role of these factors in the media markets. The general insight from the research line tells the intimate link of these characteristics with the strong tendency of media industries toward concentration, dominance, or even monopoly.

To many, a concentrated media market is associated with unsatisfactory media outputs and regarded as a deleterious situation to prevent against. "More is better" is the philosophy reiterated among media commentators and scholars. But we see that concentration can arise innocently from underlying market forces besides caused by egoistic business conduct. A market, whether concentrated or decentralized, is likely an upshot of its structural determinants (Panzar, 1989). Condemning a concentrated market for not being otherwise without consideration of overriding structural factors only demonstrates a philosophical stance. Judging market performance without incorporating such characteristics faces the hazard of misguided policy suggestions. Measures to force a market out of its natural equilibrium may be detrimental to economic efficiency. These economic characteristics, though well noted among economists, have yet to receive deserved emphasis from communication researchers who evaluate structure and performance of the media and, especially, who name the SCP approach. In sum, the media market research needs to be better informed about market characteristics.

Conclusions

In the quest for an adequate framework for the analysis of media markets, much recognition is given to the industrial organization S-C-P model. This economic model not only avails economists who focus on the operation of market forces and conditions, but, more interestingly, is embraced as a useful tool with which to decipher issues that preoccupy communication scholars with a social-value orientation. For such scholars, this theory promises to shed light on how ethical expectations placed on media operators can be achieved in the background of commercial marketplaces. Nonetheless, any application of a theory without careful treatment would generate more heat than light. The way the model is made sense of departs from what was originally contemplated by IO theorists and empiricists, and, as a consequence, detracts from the value of taking advantage of it. As argued, the non-market interpretation of performance in using the S-C-P model is tenuous. Without justification and verification, such a proposition remains problematic or, at best, speculative, and analyses based on it cannot be said to be able to result in valid inferences. Wildman (1998, p. 573) warned of the dangers of carrying out an economic analysis of the mass media: "while the principles of economics are general, their application to any given industry is not necessarily transparent." Even for many of the studies that namely use an S-C-P perspective, the analysis could have benefited from a direct examination of market specifics, such as price and the underlying market conditions. By doing this, the working of media markets can be better understood.

For the utilization of the S-C-P model to be productive and consistent, the express clarification of this economic framework needs to be undertaken. While it is not the intention of this paper to assert dogmatically that market structure has no impact on the socially-defined performance of the media in all circumstances, it has sought to describe a more consistent and workable approach to applying the S-C-P paradigm to analyses of the media industry. Occasional calls are heard to establish a unique paradigm suitable for the study of media economics (e.g. Gomery, 1989), but so far they remain unanswered.

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Abstract

This study examined the impacts of product diversification of media firms on their financial performance. For a pooled sample of 26 media firms from 1996 to 2002, this study tested the linear model adopted from the industrial organizational economics and the inverted-U shaped curvilinear model based on the strategic management studies. The results showed a U-shaped model not the expected inverted-U curvilinear model. That is, performance decreases as firms shift from concentrated business strategies to related diversification, but performance increases as firms change from related diversification to unrelated diversification. In conclusion, media firms might not be successful in creating synergy effect expected from related product diversification.

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The Bigger, the Better?
Measuring the Financial Performance of Media Firms

In the United States, the press is assumed to be an independent monitor of the surrounding environment, and since it cannot be an instrument of government, it has evolved as a private enterprise (Bagdikian, 1971). Like other business, media companies have a right to pursue profit as a private organization. Whether operating in radio, local television, network television, cable, newspaper, or magazine, the essence of business is the logic of the commercial market (McManus, 1994).

Based on this notion, it is natural that media companies have merged to produce multi-media conglomerates in their effort to seek more profit. In fact, a wave of mergers and acquisitions and the development of new digital technologies have transformed the media landscape. For example, Walt Disney purchased Capital Cities/ABC and its ten television stations, 21 radio stations, and interest in several cable networks for $19 billion in 1995 (Albarran & Dimmick, 1996). Subsequent to this acquisition, Time Warner made another major acquisition by absorbing Turner Broadcasting Company, a parent company of CNN and other popular cable networks in 1996. The transaction value was $8.5 billion. In 1999, Viacom announced its merger with CBS. The huge deal combined CBS' television network, its TV & radio stations, and several Internet sites with Viacom's well-known cable channels, movie and television productions, publishing enterprises, theme parks, etc. Including these big mergers, the 1990s alone saw well over $300 billion in major media deals (Croteau & Hoynes, 2001).

A series of big bang mergers continued in the new century. On January 10, 2000, America Online Inc. (AOL) announced it would buy Time Warner Inc., creating a media giant of unprecedented size. The $166 billion deal was the biggest corporate merger ever. It was four times as big as Viacom's $38 billion acquisition of CBS in 1999.

At present, one media conglomerate or another owns virtually everything from production to distribution of all media products/services, such as newspaper, magazine, book, broadcasting, cable, music, movie, and the Internet through diverse business actions. It has always been assumed that a newspaper article might be expanded to a magazine article which could become the basis for a hardcover book which, in turn, could become a paperback, and then, perhaps, a TV series and, finally, a movie. At the same time, the product might enjoy the support of publicity by its parent company's news outlets. This conceptual advantage, called 'synergy', has induced the diversification of many media companies.

The continuous diversification activities of media firms can be understood as the strategy to earn more money. This then begs the question: Does the repeated diversification through mergers and acquisitions result in more profit expected by the media conglomerates? Some believe that investors analyzing mergers pay too much attention to short-term earnings gains and do not notice that these gains are at the expense of long-term prospects. However, how long is long term? Before getting the long-term effect, who pays money to support the media companies? Eventually, the loss of media firms might be compensated from the money of the public. In other words, there is a possibility that media companies set the price high for their products to make up for the loss from mergers and acquisitions.

In fact, nearly all major media companies are commercial corporations, whose primary function is creating profits for owners or stockholders. Even noncommercial and not-for-profit media need to produce profit that can be used to develop their content and to operate organizations. If media firms are not able to operate profitably, they fall into a spiral of decline that makes it difficult to sustain their operations and to offer quality content (Picard, 2002). Therefore, the need of the yardstick measuring the financial performance of media companies is an unavoidable reality.

The goal of this study is to explore the diversification strategies of the global media corporations, and to examine their impacts on firm performance; in other words, what is the relationship between diversification and financial performance?

LITERATURE REVIEW

Product Diversification

When a firm chooses to diversify its operations beyond a single industry and to operate businesses in several industries, it is pursuing a corporate strategy of product diversification (Hitt, Ireland, & Hoskisson, 2001). Through this strategy, the firm engages in the manufacture and sale of multiple diverse products. Most firms implement a diversification strategy to enhance the strategic competitiveness of the entire company. This position rests upon several assumptions including those derived from market power theory, internal market efficiency, and synergy arguments (Grant, 1998; McCutcheon, 1991; Scherer, 1980).

Market Power Advantages. Diversified firms can exploit market power advantages that are mostly not available to their undiversified counterparts (Caves, 1981; Hitt, Ireland, & Hoskisson, 2001; McCutcheon, 1991; Scherer, 1980; Sobel, 1984). For example, broadcasters with a large audience share or market share are able to command a premium in the cost-per-thousand rates that they charge advertisers (Doyle, 2002).

Another approach to creating value by gaining market power is the strategy of vertical integration. Through vertical integration, a firm can derive a power of reciprocal buying and selling. Greater diversification in more factor and product markets increases opportunity for such reciprocity (Grant, 1998). For media industries, it is possible to integrate the stages in the vertical supply chain, which includes content creation (gathering news stories, making television news), packaging (assembling into a product like newspaper or television service), and distribution (delivering to consumers). No single stage is more important than another. Ultimately, the interdependent relation of different phases in the supply chain induces media firms to pursue vertical integration between the stages (Doyle, 2002).

Market Efficiencies. The diversified firm has much greater flexibility in capital formation since it can access external sources as well as internally generated resources (Lang & Stulz, 1994; Stulz, 1990). That is, losses can be funded through cross-subsidization whereby the firm taps excess revenues from one product line to support another (Berger & Ofeck, 1995; Meyer, Milgram, & Roberts, 1992; Scherer, 1980). Thus, diversification can generate efficiencies that are unavailable to the single-business firm (Gertner, Schartstein, & Stein, 1994). In a media situation, a diversified media firm can afford to absorb the cost of an expensive movie flop through cross-subsidizing from other booming businesses units. Therefore, diversified media firms can withstand short-term losses and wait for the next megahit.

Synergy. Synergy exists when the value created by business units working together exceeds the value those same units create working independently (Hitt, Ireland, & Hoskisson, 2001). The element of synergy involves developing a single concept for various media. A children's story, for example, may be packaged as a comic book, movie, music label, television cartoon, and computer game. By doing this, media conglomerates can take advantage of simultaneous revenue streams, thereby generating as much profit as possible from a single idea (Croteau & Hoynes, 2001).

Another aspect of synergy involves cross-promotion. Media conglomerates have placed more emphasis on the promotion of their own subsidiaries' products such as television programs or movies (McAllister, 2000; Jung, 2001, 2002; Williams, 2002). The result is that conglomerates, with their enormous resources and diverse holdings, are economically able to develop and promote projects in ways that smaller competitors simply cannot match.

Linkage between Product Diversification and Performance

Linear Model. Industrial organization economists considered the relative performance of diversified firms and undiversified firms and proposed that diversification may be associated with concomitant increases in performance. However, empirical research has revealed conflict results.

Gort (1962) was one of the first to examine the profitability of diversified firms. He analyzed 111 large U.S. corporations over the years 1947-1957 and showed that there was no significant correlation between profitability and diversification. In the study of 104 U.S. food-processing firms, Arnold (1969) also concluded that no significant relationship existed between any of the above measures of diversification and profitability. On the other hand, Carter (1977) presented evidence that diversified firms outperform their specialized counterparts.

However, Markham (1973) found that in all of the multiple regression models relating diversification with various firm-specific variables, whenever profitability entered at a significant level, it entered with a negative sign. Lang and Stulz (1994) also showed that financial market and firm diversification were even negatively related throughout the 1980s. Firms that chose to diversify were poor performers relative to firms that did not.

Beginning with Gort (1962), industrial organization economists spawned decades of research based on the premise that diversification and performance are linearly and positively related. However, they found no evidence supportive of the view that diversification provides firms with a valuable asset.

Curvilinear Model. Later approaches from the perspective of strategic management focused specifically on performance differences between related and unrelated diversifiers showing a more systematic paradigm (Christensen & Montgomery, 1981; Palich, Cardinal, & Miller, 2000; Palich, Carini, & Seaman, 2000; Rumelt, 1974, 1982; Varadarajan & Ramanujam, 1987). The most common theoretical rationale suggesting the superiority of related diversification is derived from economies of scope (Markides & Williamson, 1996; Seth, 1990). Specifically, related diversifiers generate operational synergies by designing a portfolio of businesses that are mutually reinforcing. Since they are related in some way, units are able to share resources or boost revenues by bundling products, enjoying a positive brand reputation and the like (Barney, 1997). While benefits accrue to diversification, at some point these efforts are also associated with major costs. For example, Grant, Jammine and Thomas (1988) recognize the growing strain on top management as it tries to manage an increasingly disparate portfolio of businesses. Markides (1992) delineates other costs such as coordination costs and other diseconomies related to organization inefficiencies from conflicting "dominant logics" between businesses and internal capital market inefficiencies.

Taken together these indicate that moderate levels of diversification yield higher levels of performance than either limited or extensive diversification. Thus, they provide support for an inverted-U curvilinear model: that is, performance increases as firms shift from single business strategies to related diversification, but performance decreases as firms change from related diversification to unrelated diversification (Bettis & Hall, 1982; Christensen & Montgomery, 1981; Geringer, Beamish, & daCosta, 1989; Geringer, Tallman, & Olsen, 2000; Grant, Jammine, & Thomas, 1988; Kim, Hwang, & Burgers, 1989; Palepu, 1985; Palich, Cardinal, & Miller, 2000; Palich, Carini, & Seaman, 2000; Sambharya, 1995; Tallman & Li, 1996).

Diversification in the Media Studies. Compared to fervent research in business management area, diversification research in media studies has rarely been seen in the literature. As an initial study, Dimmick and Wallschlaeger (1986) researched the level of diversification of television network parent companies. The results indicated that the least diversified parent companies were most active in new media ventures. Albarran and Porco (1990) measured diversification of corporations involved in pay cable by using the formula developed by Dimmick and Wallschlaeger (1986). The results were consistent with the previous research that all firms appear to utilize diversification as a means to limit resource dependency and ensure organizational survival. Both studies dealt with the concept of product diversification.

On the other hand, Picard and Rimmer (1999) introduced the concept of geographic diversification as well as product diversification. They sought to determine whether the degree of diversification affected the financial performance of newspaper firms during the economic downturn. They concluded that non-newspaper diversification reduced the effects of the recession. The introduction of multiple measurement of performance such as growth rates and profitability is another contribution to the diversification literature in media studies.

Because of the enormous size and a wave of mergers across media industry, recent studies attempt to analyze the structure and performance of media conglomerates. Albarran and Moellinger (2002), for example, examined the biggest six media conglomerates' structure, conduct, and performance following the industrial organization model. They focused more on the common strategies of six media giants than on the difference. Powers and Pang (2002) examined the diversification and performance of eleven media conglomerates before and after the Telecommunication Act of 1996. The results showed that both the diversification and the performance have increased after the Act. Additionally, the study provided an alternative analysis to the premise that media conglomerates must be harmful to free speech by arguing that the number of news outlets has increased. Shaver and Shaver (2003) also looked at the impacts of increasing media industry consolidation on managerial effectiveness. They examined the activities of eleven companies over a ten-year period and concluded that operating margins were significantly and negatively correlated to the degree of business diversity. In other words, greater margins were realized as companies became more concentrated within their core industries rather than diversifying into other areas.

Chan-Olmsted and Chang (2002) reviewed the diversification patterns of leading seven media companies in terms of product/international dimension and proposed an analytical framework for examining the factors influencing these strategic choices. They also explained the medium-diversifiers yielded the best financial performance. However, due to the limited sample size, they left unanswered question about the relationship with performance to be solved. Peltier (2002) showed the relationship between diversification through mergers and acquisitions and financial performance by studying eleven media conglomerate firms. While there is no positive correlation between its presence in multiple businesses and economic performance, internationalization rate of firms appears to be positively correlated with economic performance. However, the study fell short in two regards. First it needs a large number of firms in the sample. Second, the study only used net margin as performance; multidimensional aspects of economic performance also should be taken into consideration. In sum, the attempts to measure financial performance of media firms' diversification among media scholars are very limited and there is no conclusive comment at this time.

HYPOTHESES

Although the industrial organization approach was unsuccessful to support the linear linkage between product diversification and performance, this study adopts such an approach as well as strategic management approach to test the two frameworks. Because of the exploratory nature of this study, it is meaningful to study both perspectives in the media industry context.

The argument in the industrial organization literature linking diversification to profitability revolves around the notion of market power (Caves, 1981; Markham, 1973). Vertical mergers may be interpreted as a means to exclude rival firms from the market by reducing their supply of raw materials or their outlets. The reason for choosing vertical integration is then clearly market foreclosure. In fact, the ownership of program services by cable MSO has historically resulted in two problems. For example, MSOs have occasionally discriminated against competing program services by refusing carriage, charging higher retail prices for competing services, and providing less favorable channel positions. MSOs have also refused to provide the program services in which they had an interest to competing distribution outlets such as SMATV operators and MMDS broadcasters (Owen & Wildman, 1992). Because of its ability to acquire and exercise market power, a diversified firm is alleged to be able to subvert market forces through mechanisms such as cross-subsidization, predatory pricing, reciprocity in selling and buying, and barriers to entry.

Another mechanism that is expected to allow diversified firms to sustain supernormal profits is the efficiency gains. Diversification deals may generate economies of scope among the different media industries. Economies of scope occur when it costs less to jointly produce two different products than to produce each of them independently (Gertner, Schrfstein, & Stein, 1994; Lang & Stulz, 1994). Hence, a single idea, first materialized in a film for example, may be then used to publish a CD of the film's music, a book of the scenario, a video game, Web site etc. Disney exploits these kinds of synergies very efficiently. In the same vein, Time Warner's television channels, newspapers, magazines may promote AOL through advertising and vice versa.

The above arguments lead to the hypothesis that the more diversification a firm has in its operations, the better are its chances of extracting supernormal profits. Stated more precisely, this leads to the following hypothesis on the relationship between the extent (total degree) of product diversification and performance.

Hypothesis 1: A firm's extent (total degree) of product diversification has a positive relationship with firm financial performance.

As long as product diversification stays within the scope of a firm's strategic resources and capabilities, it will provide increasing profit margins. However, excessively high or unrelated product diversification depresses firm performance, as costs outstrip returns to strategic resources (Bengtsson, 2000; Chen, 1998; Geringer, Tallman, & Olsen, 2000; Jones & Hill, 1988; Prahalad & Bettis, 1986; Tallman & Li, 1996; Williamson, 1975).

Obviously, a company would be expected to profit from related diversification by economies of scale and scope that should generate more synergistic benefits than in the case of unrelated diversification that have no relationship other than becoming part of one overarching system of corporate control. Therefore, it is expected that a firm needs to conduct a deduction of unrelated portfolio. This strategy has been chosen by Vivendi Universal. This French firm has divested its non-media business such as environmental and water businesses to concentrate on media related properties. Based on strategic management perspective, an inverted-U curvilinear relationship is expected between the direction (related direction) of product diversification and performance.

Hypothesis 2a: A firm's direction (related degree) of product diversification has a positive relationship with firm financial performance.

Hypothesis 2b: A firm's direction (square of related degree) of product diversification has a negative relationship with firm financial performance.

METHODS

Sample

In order to test the hypotheses, the top 25 media companies as ranked by the industry journal, *Broadcasting & Cable*, based on the year 2001 media revenues were chosen (see Table 1). Although Bertelsmann is not listed on the list, the firm was added because of its revenue size and position as one of most mentioned global media leaders.

Data for the top 26 media firms are collected over a seven-year (1996-2002) period. The enactment of Telecommunication Act in 1996 struck down the walls between the media and telecommunication industry by allowing firms to cross the boundary. It also removed the limitation of television and radio station ownership by a single entity and raised the ownership cap. Consequently, the law has accelerated a wave of mergers and acquisitions in the media and telecommunication industry. Therefore, the year 1996 was selected as the starting point of the analysis.

182 observations can be pooled by gathering the data for seven years observation for the top 26 firms. However, the sample size is over the estimated number of observations because of ownership change. For example, the company, AOL Time Warner, was merged in 2000. Therefore, the AOL and Time Warner were treated in different company before year 2000. The diversification and performance data for two firms were gathered separately and included as the different samples from 1996 to 1999. After eliminating not available data, in sum, 189 samples were analyzed for the final analysis.

Data Source

The major archival data source for diversification measurement is *Directory of Corporate Affiliations*, which includes more than 180,000 parent companies, affiliates, subsidiaries, and divisions in the U.S. and worldwide. Profiled data in the volume of *Directory of Corporate Affiliations* from 1996 to 2002 were analyzed.

For the measurement of financial performance, the data set were derived from the firms' annual reports and 10-K filings. All financial figures were verified by comparing Standard & Poor's Compustat financial data and there was no questionable case.

Measurement

Extent. Previous literature from the industrial organization economics used objective measures based on SIC count to capture the total degree of diversification (Arnold, 1969; Carter, 1977; Gort, 1962). This study also uses the number of different four-digit Standard Industrial Classification (SIC)[1] codes in which a firm operates. Its use is dictated by following considerations; (1) it is a well-accepted classification system and is frequently used in previous research; and (2) the analysis presented in this study can be replicated by others. All media product/service is categorized as one of the four-digit SIC codes by industry. For example, if a company runs businesses in newspaper (2711), book publishing (2731), and television broadcasting station (4833), the extent (total degree) of the firm's diversification is three.

Direction. Strategic management scholars introduced several methods such as Rumelt's category (1972), Herfindahl type index (Montgomery, 1982), Entropy (Jacquemin & Berry, 1979; Palepu, 1985), and BSD & MNSD (Varadarajan & Ramanujam, 1987) to measure the direction of diversification.

Entropy measure is a frequently used method to measure the relatedness of product diversification based on firms' sales volume by product segment. However, it is difficult to find secondary sources that provide reliable and consistent data for media firms. Worse yet, each media firm provides product segment revenue in a different way. One company, for example, combines broadcasting, cable, movie, games, and other segments as entertainment revenue, while another company reports its revenue from broadcasting and cable respectively. As a consequence, it is impossible to apply the same rule of segment to different companies.

Adopting Jacquemin and Berry (1979)'s Entropy measurement, researchers used the number of SIC industries instead of sales segment data (Geringer, Tallman, & Olsen, 2000; Palich, Carini, & Seaman, 2000; Robins & Wiersema, 1995; Sambharya, 1995). They used a Herfindahl type measure of product diversification, which takes into account both the number of segments in which the firm operates and relative importance of each segment. This Herfindahl measure is computed based on the sum of the squared proportion of industry involvements relative to total operations. Subtracting that sum from one provides an index that rises as industry spread (i.e., product unrelatedness) increases. Following is the equation for the measurement of unrelated degree of product diversification.

$$D = 1 - \Sigma P_i^2 / (\Sigma p_i)^2$$

; where P_i= proportion of operations in the industry i to total operations.

Products belonging to different four-digit SIC industries within the same two-digit industry group are treated as related. Here is an example of the measurement. Two companies, A and B, involve four SIC codes equally. Company A is involved in four businesses in the same two-digits SIC (2711, 2721, 4831, and 4832), which are print media and broadcasting businesses. On the other hand, company B has different two-digit SIC businesses (2711, 4841, 7375, and 7822) in four areas. Based on the Herfindhal calculation, company A has value of .50 and company B has the value of .75. Therefore, the higher value indicates that the firm's diversification is less related.

Performance. Following variables will be used to measure the multiple aspects of media firm performance: revenues (REV), sales growth rate (SGR) for firm growth, operating income before depreciations and amortizations (EBITDA) and operating margin (OM) for profitability, and return on sales (ROS), return on assets (ROA), and return on equity (ROE) for management effectiveness, and earning per share (EPS) for stock market reaction.

Operating income before depreciation and amortization (EBITDA) is not a typical performance measure in accordance with generally accepted accounting principles (GAAP). However, because media business is principally goodwill related, EBITDA will be another appropriate measure for evaluating the media sectors. Earning per share is calculated by using the number of shares outstanding instead of dollar amounts reported on the balance sheet.

RESULTS

Table 2 shows the descriptive results of diversification in terms of total diversification (extent) measured by number of SIC businesses and unrelated degree of diversification (direction) over the seven years.

The total number of SIC involved in media firms has risen from 453 in 1996 to 672 in 2002. The number was not significantly different until year 2000. However, it shows significant increase in year 2001 and 2002 due to the results of recent big mergers completed by AOL-Time Warner (2000), Vivendi-Seagram (2001), Clear Channel-AMFM (1999), Tribune-Times Mirror (2000), Viacom-CBS (1999), and Gannett-Central Newspapers (2000). At the same time, Disney, Bertelsmann, and Cox Enterprises also expanded their businesses into more areas in recent years in respond to their competitors' diversification strategy.

The more noticeable thing is the change of unrelated degree of diversification. The mean of unrelated score has risen from 0.5645 in 1996 to 0.6197 in 2002. Moreover, the score shows constant increase year by year. It means that media firms have expanded their businesses in more business sectors over the years. It is a natural phenomenon to diversify their business into related areas in the media industry. For example, a firm publishing a newspaper might expand its business into magazine publishing. Because it can utilize its resources and know-how learned in print media business, it is no surprise to see that kind of horizontal diversification.

However, the increasing trend of diversification does not limit the boundary of related business. Meredith, for example, which initially started from a magazine publishing company, now runs an equivalent amount of broadcasting businesses. Moreover, it has expanded its business into integrated marketing service and interactive media. The Washington Post Company had businesses mainly in print and broadcasting in 1996. However, it has increased its ownership in the areas of cable television systems, provision of educational services, and interactive media. In fact, most firms analyzed in this study are involved in at least ten businesses, and the mean number of SIC of the sample firms has changed from 17 in 1996 to 26 in 2002.

Regression analysis was used to estimate the effects of total degree of product diversification and the related degree of diversification on media firms' performance. The first hypothesis proposed that performance has a positive linear relationship with the degree of total diversification. Hypothesis 1 was tested by regressing multiple performance measures on total degree of diversification. Although two dependent variables (Revenues: $\beta = .883$, $R^2 = .779$, $p<.001$; and EBITDA: $\beta = .86$, $R^2 = .74$, $p<.001$) showed statistically significant results, the other six dependent variables measuring financial performance revealed no significant results. While main industrial organizational economics literatures failed to show a linear relationship between total diversification and performance, this study partially supported a linear relationship between variables.

The predictions of Hypotheses 2a and 2b was modeled by introducing the following quadratic relationship between performance and unrelated degree of diversification;

$$\text{Performance} = \beta_0 + \beta_1 \text{ (degree of relatedness)} + \beta_2 \text{ (degree of relatedness)}^2$$

Hypotheses 2a and 2b predict an inverted-U curvilinear model that coefficient β_1 is positive and that coefficient β_2 is negative.

Table 3 presents the effect of direction (related degree) of diversification on firms' performance. The hypotheses of quadratic model were consistent with previous management literature in several dependent variables. Four measures (Revenues, Sales growth rates, Operating margin, and EBITDA) revealed significant results with high explained power in R-square. However, it was not expected to find that the directions of coefficient were contradictory with the predictions. The coefficient of unrelated degree enters with a negative sign and that of the square of unrelated degree enters with a positive sign. In other words, it is a U-shaped curvilinear model not an inverted-U curvilinear model.

Concentrated media business and the more unrelated diversifiers are therefore better than medium level diversifiers with medium degree of relatedness. This result, however, is contradictory to the postulations of the relationship between diversification and performance literature discussed in the previous section.

On the other hand, the remaining other four dependent variables (ROS, ROA, ROE, and EPS) did not yield significant results in the regression models.

DISCUSSION and CONCLUSIONS

This study suggests that the relationship between product diversification and performance is more complex than the linear relationship implied in most studies of degree of total diversification. The directionless rampant diversification does not contribute to firms' healthy finance represented as management efficiency. It only showed relationship with overall amount of revenues. This theory recognizes that increasing diversification may not be associated with concomitant increases in performance, at least not through the entire relevant continuum.

On the other hand, this study reveals a quadratic relationship between diversification and performance. However, it was a U-shaped curvilinear model, not the expected inverted-U curvilinear model. In other words, this finding for media firms does not support previous studies completed by strategic management scholars. Rather, the hypotheses relating direction (unrelated degree) of diversification yielded a contradictory result. That is, performance decreases as firms shift from concentrated business strategies to related diversification, but performance increases as firms change from related diversification to unrelated diversification. The theoretical framework of diversification in strategic management cannot account for this contradiction. Therefore, explanation for this discrepancy is speculative at best.

One possible reason is that although diversification strategy pursued by media firms has been successful in terms of overall profit, it does not seem to contribute managerial efficiency for the firms. In line with theoretic interpretation, the firms might enjoy the market power advantage or market efficiencies through greater flexibility in capital formation. However, they might not be successful in creating synergy effect caused from related diversification. Where is the evidence the company got more efficiency in aggregating Time Warner content with AOL distribution? Contrary to the rosy expectation of the new company, it faces a record-high financial failure at present. Rather than relying on the traditional concept of vertical integration or poorly conceived synergy advantage, far more dramatic strategic rethinking is likely soon to be necessary in all parts of the company's businesses. The mantra of synergy does not work in the media industry at this point, not only in AOL Time Warner but also in other media companies as well.

A slightly different explanation for the contradictory result is the contribution of the enormous revenue size of GE and Sony. It might be worked as a bias in the overall model and lead to the opposite direction in the proposed hypotheses. It is possible to eliminate two companies at the sample. However, because other companies also have non-media related business, it is fair to include GE and Sony's non-media business sectors and performance as well.

The contradiction can also be accounted for from the perspective of multi-dimensional aspects of performance measurement. The four variables (Revenue, SGR, OM, and EBITDA) were statistically significant with the opposite direction of coefficient. It should be noted, however, that the performance measurement for management efficiency (ROS, ROA, and ROE) and investors' reaction (EPS) showed the expected direction of the hypotheses. Although their models were not significant statistically, if the latter four variables are better indicators to measure a firms' financial performance, the proven inverted-U model might be applicable to media firms. In other words, the split results in multiple performance measurement still leave unidentified the relationship between diversification and performance.

In conclusion, this study provides partial corroborating evidence that performance is related to product diversification in a nonlinear manner, supporting the contention that concentrated and more diversified business firms are more profitable than related business firms.

Due to its exploratory attempt to figure out the relationship between product diversification and performance, this study has a number of limitations and recommendations for future research. One of the limitations of this study comes from the measurement of performance. Accounting measures of performance are frequently used by managers, executives, and scholars. In spite of their prevalence, accounting based measures have some shortcomings. They reflect previous investment decisions and do not accurately illustrate expected cash flows that organizational assets may generate in the future (Fisher & McGowan, 1983). Additionally, they also may be distorted due to varying tax laws in different industries or nations. In fact, there is a lively interest within the strategic management field in adopting market-based performance measures[2] (Amit & Livnat, 1988; Dubofsky & Varadarajan, 1987; Hitt & Ireland, 1986). Because only accounting-based performance was measured in this study, it should be considered to measure performance with market-based method as well as accounting-based method in future studies.

Second, it is assumed that the current diversification profile of a firm would impact not only the performance of that year but also the performance of following years. Therefore, future research can figure out the time lag for registering financial profit in a time-serial analysis. Because there was much diversification of media firms in the past two years, future research might observe the future financial performance of media firms who diversified their business in recent years. In fact, AOL Time Warner is severely staggering after three years of the merger.

Third, other variables like international diversification and its combined effect with product diversification also should be considered in future studies. Because the dual diversification both in product and in geography is very popular in the media industry, the result might have a different answer.

Despite these limitations, this study has taken a useful step in the analysis of diversification effects on performance. Transaction cost theory suggests that excess product diversification may harm performance. In other words, more diversification does not always seem to be better. Hence, rather than pursuing diversification for its own sake, the management of a firm needs to choose businesses that lead to real economic gains. Although this study can not suggest the appropriate level of diversification for the better performance, the financial results reflected in management efficiency such as return on sales, return on assets, and return on equity, do not provide apparent evidence of synergy effect. Again, it is desirable to figure out the realistic business diversification strategy rather than relying on the traditional concept of vertical integration or poorly conceived synergy advantage.

From the perspective of the public, whether the fat media conglomerates would invest money to provide quality information and entertainment product is questionable. Even worse, if these same conglomerates are struggling financially due to their rampant diversification through mergers and acquisitions, which might lead to excessive debt levels, ultimately it is the public who will suffer. Big is not necessarily bad, but uncontrolled ambitious big, which may cause financial difficulty, might well conceive the seeds of disaster that can hurt the public, who need fair and high-quality media products and services.

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Table 1. Top 26 Media companies including Bertelsmann

Rank	Company	Nation	Revenue (billion)	Ownership
1	AOL Time Warner	U.S.	38.2	PB
2	Vivendi Universal	France	31.0	PB
3	Walt Disney	U.S.	25.3	PB
4	Viacom	U.S.	23.2	PB
5	Bertelsmann	Germany	19.1	PV
6	Comcast	U.S.	19.1	PB
7	Sony	Japan	17.1	PB
8	News Corp.	Australia	13.8	PB
9	Hughes Electronics	U.S.	8.3	PB
10	Cox Enterprises	U.S.	8.0	PV
11	Clear Channel	U.S.	7.9	PB
12	Gannett	U.S.	6.3	PB
13	NBC	U.S.	5.8	PB
14	Tribune Co.	U.S.	5.3	PB
15	McGraw-Hill	U.S.	4.7	PB
16	Cablevision	U.S.	4.4	PB
17	Charter	U.S.	4.1	PB
18	Hearst	U.S.	4.1	PV
19	Echostar	U.S.	4.0	PB
20	Adelphia	U.S.	3.6	PB
21	NYT Co.	U.S.	3.0	PB
22	Washington Post	U.S.	2.4	PB
23	Discovery	U.S.	1.8	PV
24	E. W. Scripps	U.S.	1.5	PB
25	Belo	U.S.	1.4	PB
26	Meredith	U.S.	1.1	PB

Source: *Broadcasting & Cable* (2002, May 13)
PV: Privately held/PB: Publicly held

Table 2. Extent and Direction of Product Diversification by Year

	1996	1997	1998	1999	2000	2001	2002
Extent	453	440	426	436	446	494	672
Direction	0.5645	0.5782	0.5803	0.5828	0.5848	0.5951	0.6197

Table 3. Unrelated Degree of Product Diversification and Performance

	Revenue	SGR	ROS	ROA	ROE	OM	EBITDA	EPS
UD	-1.223***	-.775**	.263	.327	.206	-.75**	-1.187***	.406
UDSQ	1.813***	.580*	-.284	-.448	-.173	.320*	1.692***	-.393
R^2	.519	.073	.006	.026	.004	.203	.413	.001
F	95.486	6.866	.553	2.346	.335	22.153	61.199	1.066

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[1] Standard Industrial Classification (SIC) system was developed to facilitate collection of data for economic analysis by the Department of Labor. It employs a set of reporting standards that have evolved over time based on a variety of consideration ranging from similarities in materials to product-market linkage. Each industry is assigned as different SIC code. For example, SIC code of newspaper publishing is 2711, while broadcasting station has SIC code of 4831.

[2] Accounting measures reflect present and past performance, but they do not consider the future potential of the firm. In contrast, market measures capture the forward-thinking assessments of investors. Specifically, market-to-book value (MTB) reflects the difference between the market value of the firm and its book value, indexing stockholders' perceptions of the firm's ability to exceed expected returns in the future.

Effects of Culture on Cellular Telephone Adoption: The Case of Taiwan

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Effects of Culture on Cellular Telephone Adoption: The Case of Taiwan

Abstract

The recent deregulations of telecommunications industry in Taiwan have created a booming market for a variety of telecommunications services and equipment providers. Mobile telephony industry benefits most from such regulatory changes as it grows from non-existence to 100% penetration in less than 15 years.

The present study aims to examine whether consumers' cultural value orientations as proposed by Hofstede (1997) have effects on their adoption motivation and importance perception of cellular phone attributes. The study uses a questionnaire survey method to collect data. Results from independent sample t-tests support that culture-neutral motivation types are not affected by consumers' individualism/collectivism dimension. Results also support that cultural value orientation has effect on the kind of cellular telephone attributes considered to be important by consumers. This study provides empirical data to support the robustness of individualism/collectivism in understanding consumers' adoption of cellular telephone technologies and services.

Keywords: Cellular Telephone, Culture, Cultural Value Orientation, Diffusion of Innovation

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Effects of Culture on Cellular Telephone Adoption: The Case of Taiwan

1. Introduction

The telecommunications industry was completely deregulated after three telecommunications bills were passed and went into effect in 1996 (Chen. 1998). Under the policy of deregulation, the Directorate Generale of Telecommunications (DGT) has issued 11 mobile telephone service licenses. Fierce market competition in the mobile communications industry has prompted several mobile telephone operators to merge and consolidate. As of 2002. there are eight service operators that offer a wide variety of mobile telephone services, including wireless voice and data services (GRPS). mobile commerce. and short message services. These operators include Chunghwa Telecom (the state-owned telecoms company). FarEast Tone. KG Telecom. Mobitai. Taiwan GSM. and TranAsia.

Since the first introduction of mobile communications in 1989. consumer demand was often deterred by a high subscription fee and lack of network capacity. After the liberalization of mobile communications industry in 1997. mobile service subscribers have been growing at a very high rate. Penetration rates increased from 0.19% (37 000) in 1989. 6.96% (1 492 000), 52.24% (11.54 million) in 1999. and to 17.87 million in 2000 (Directorate Generale of Telecommunications. 2000). As of 1999. the penetration rate of mobile telephone subscribers in Taiwan ranked No. 6 among major markets in the world. after Finland (66.7%). Norway (61.75%). Sweden (57.88%). Hong-Kong (57.71%). and Italy (59.03%) (Directorate Generale of Telecommunications. 1999a, b). The recent statistics released by the Bureau of Statistics (Taiwan) shows that the mobile telephone penetration is over 100%. with some individuals owning more than one handset (http://www.dgbas.gov.tw/). Rapid diffusion of cellular telephones in Taiwan is attributed to keen market competition among different service operators. which offers various types of risk-free incentives for consumers.

A recent market survey published by Gartner Dataquest (December 2000) suggests the use of cellular telephones is tilted toward consumers at younger generations in the United States (*PC Magazine*. 2001). Among Generation Y (ages 18-24) population. 40% of them regularly use cellular phones, compared with 48% of

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Generation X (ages 25-34). Only 19% of seniors (ages 65 and over) regularly use cellular telephones. In Finland, the majority of mobile telephone users belong to those aged below 30 years old (Statistics Finland, 2000). Studies on Taiwanese mobile telephone consumers also support a similar demographic trend (Chen, 1998).

2. Literature Review

2.1 Diffusion of Innovation Theory

Diffusion of innovation theory is a useful paradigm to study the complex phenomenon of the adoption of new information-communications technologies (ICTs) such as cellular telephones in this study. Various disciplines have considered the diffusion process, such as communication (Rogers, 1995), consumer behavior (Gatignon and Robertson, 1985), economics (Kraemer, Gurbaxani, and King, 1992), sociology (Rogers, 1995; Wejnert, 2002), information system (Knol and Stroeken, 2001), etc. Rogers (1995) categorizes factors affecting innovation diffusion into four areas. These factors include (1) adopter-related personality variables; (2) socioeconomic status variables; (3) the effect of interpersonal communications channel and mass media usage; (4) innovation attributes (Wei, 2001, p. 704).

The communication study of adoption behavior of cellular telephone technology continues to employ this line of research by attributing the diffusion of this new ICT to the factors discussed above (Wei, 2001). Wei (2001) and Wei and Leung (1999) study the diffusion of cellular phones in Hong-Kong. Their studies employ a combination of uses and gratifications (U&G) approach, as well as the diffusion of innovation paradigm. Although many scholars have applied the diffusion innovation theory to study various aspects of ICTs adoption, the majority of studies tend to focus on the diffusion within a single country or culture. For example, Sharpine (2001) examines determinants affecting the diffusion of digital telecommunications in the U.S. On the other hand, Wei (2001) and Wei and Leung (1999) study the diffusion of cellular phones in Hong-Kong. Özcan and Koçak (2003) study concludes status symbol is the most important motives behind cellular telephone adopters in Turkey. Due to the globalization of the market, some scholars (Dekimpe, Parker, and Sarvary, 2000; Talukdar, Sudhir, and Ainslie, 2002; Tellefsen and Takada, 1999; Wong, 2002) have shifted their attention to multi-country

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comparisons. Nevertheless, units of analysis in these studies are country, rather than individual consumers. Furthermore, culture as a key determinant of innovation diffusion is often ignored in the above-mentioned studies. To fill the gap in the literature, the present study aims to provide empirical data to examine whether and how cultural factors affect the adoption of cellular telephone technology and services.

2.2 Culture and Adoption Behavior

Hofstede (1997, p. 5) defines culture as "the collective programming of the mind which distinguishes the members of one group or category of people from another." Culture is often viewed as one of the underlying determinants of consumer behavior (Walter, 1976). Howard and Sheth (1969) point out that consumer values implicit within culture influence consumption motives and other dimensions in consumer behavior. Anthropological studies of consumption argue that "consumption is structured around the production of class differences, with social relations forming the basis by which the notion of "taste" is constructed (Shaw and Clarke, 1998, p. 164). Bourdieu (1984) elaborates that individual consumers often use consumer goods to maintain their position in the social hierarchy (cited in Shaw and Clarke, 1998, p. 164).

Culture and cultural value orientations are found to be at the core of certain consumer behavior process (Luna and Gupta, 2001; McCarty, 1994). Luna and Gupta's (2001) model derives from Hofstede's conception of culture. The model points out the importance of marketing communications that both manifest and reinforce cultural value system in a specific societal context where consumers are brought up. Consumer behavior is influenced by the manifestations of culture such as values, heroes, rituals, and symbols (Hofestede, 1997). Furthermore, the value systems presented in marketing communications (especially advertising) affect the formation of values among consumers.

McCarty (1994) further elaborates the relationship between consumer's cultural value orientations and their consumption behavior. He proposes a model that shows the influence of cultural value orientations in at least three ways: the internal predisposition, norms, and social institutions. Cultural value orientations may be internalized or developed by individual consumers to form their personal values that influence behavior.

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Consumers also learn various types of cultural value orientations from social institutions or the socialization process (McCarty, 1994).

External factors such as culture and cultural value orientations may affect the diffusion of innovations (Arnould, 1989; Solomon and Anand, 1985). There is no research that explores the relationship between culture and ICTs adoption in Asia. Therefore, studies from other cultures are used to lay the foundation of the present study. Empirical data from *Readers' Digest* Eurodata on 17 European countries report significant correlations among five dimensions of culture (Hofstede, 1997) and adoption of personal stereo, home computing, private gardens, etc. The dimension of individualism (operationalized by IDV scores) is positively correlated with personal stereo ownership (r=0.49*). Similarly, IDV scores are also found to correlate with personal computer ownership (r=0.90**) in Europe. Other dimensions of culture are also found to correlate with consumer values that ultimately affect their evaluation of new innovations. For example, in a feminine and low uncertainty-avoidance culture where standing-out in a crowd is not encouraged, the observability of a new innovation may not be perceived positively (see de Mooij, 1998 for an overview on this issue). Related to the present study, cultural values are likely to influence why Taiwanese consumers decide to adopt a cellular telephone and what kinds of attributes they are looking for.

Two approaches are commonly used in cross-cultural consumer research. An etic approach generally tries to identify cultural-free theories and concepts, while an emic approach focuses on the understanding of phenomena from the perspectives of consumers (Luna and Gupta, 2001). For example, Hofstede (1997) defines culture as "the collective programming of mind" that can be used to distinguish different groups or categories of people (p. 5). Luna and Gupta (2001) points out the focus of this etic definition to compare one culture from another. Researchers using the etic approach tend to search for constructs and variables that are common across different cultures and can be compared and contrasted (Luna and Gupta, 2001).

On the other hand, Geertz (1973) points out that an emic approach emphasizes an understanding of culture through detailed description, rather than directly compare different cultures. The selection of etic versus emic methods relies on factors such as the nature of the research questions, the researcher's resources and training, and the

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objectives of the study (Luna and Gupta. 2001). Recognizing there are heterogeneous groups within a specific culture. the present study employs an emic approach to study Taiwanese consumers to examine the effects of cultural factors on the adoption behavior of cellular phones.

The present study uses intra-cultural analysis to examine the effects of cultural factors on different groups of Taiwanese consumers. On the basis of the above discussion. clearly cultural factors are likely to influence consumers' adoption of cellular telephones. The close relationships between cultural dimensions and consumption behavior are also supported by De Mooij and Hofstede's recent study (2002). Their study uses time-series data to analyze 13 European countries and various aspects of consumption behavior. The study concludes that cultural dimension better predict ownership of new ICTs. For example. individualism accounts for 72% of variance in radio ownership per 1.000 population (de Mooij and Hofestede. 2002). They also find that culture exerts increasing influence as national wealth grows with time (de Mooij and Hofestede. 2002). Based on discussions above. research hypotheses are developed to examine the relationships between cultural value orientation and adoption behavior.

2.3 Development of Research Hypotheses

Taiwan. a democratic republic outside China's eastern coast. has been strongly influenced by the Chinese culture. Before its separation from China in 1949 after the Nationalists' defeat. Taiwan historically was ruled by the Chinese regimes. Ethnically and culturally speaking. Taiwan has been strongly influenced by the Chinese culture dominated by Han population in China. Therefore. studies on Chinese culture can be used to understand Taiwan's cultural dimensions. Taiwan can be described as a collectivistic culture that emphasizes family. collective actions. and social interests (de Mooij. 1998: Kale. 1990: McCarty. 1994; Zhang and Gelb. 1996). Other cultural dimensions that are unique to Taiwan are high power distance (PDI). long term orientation (LTO). low uncertainty avoidance (UAI). and feminine (FEM) (de Mooij. 1998).

However. an emic approach to study culture will alert researchers to examine intra-cultural differences among various groups of consumers. Triandis (1989) proposes

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new terms such as "idiocentric" (an individualistic orientation) and " allocentric" (a collectivistic orientation) to describe that individuals can have different orientations even within the same culture. Idiocentrism refers to person-level individualism while allocentrism refers to person-level collectivism (Dutta-Bergman and Wells, 2002). Triandis (1989) studies Americans and finds that, even within the individualism-dominant American culture, idiocentric individuals tend to emphasize achievement, but feel more alienated than allocentric individuals.

According to Triandis (1989, 1995), affluence is a major antecedent of individualism. Industrialization and modernization also are related to generational changes in culture and values (Occhionero, 2000). Rapid economic development in the past decades has made Taiwan an affluent and modern society. Taiwan was praised as one of the Asia's Four Tigers (Yang and Nakarmi, 1988). Real GDP growth was at an average rate of 9.7% annually between 1961-1980 and 7.4% between 1981-1997 (Ku and Liu, 1999). Per capital GDP was at USD$12,876 in 2001 (Department of Statistics, 2002). In addition, Taiwan, like many other Asian countries, has been tremendously influenced by American cultural values (Tsao, 1996). Young generations in Taiwan as well many other Asian countries consume various types of cultural products from the U.S. These include Hollywood moves, popular music (from MTV Asia), sports stars (from ESPN), Disney movies, etc (*Brain Magazine*, 1998; Inoue, 1996). The influence from the Western cultures has changed the traditional cultural values in Taiwan, revealed by increasing cohabitation, abortion, and divorce rates among younger Taiwanese, individualistic behavior, and unwillingness to get married, give birth, and support their parents. Similar changes can be found in other Asian countries.

In the following section, research hypotheses are postulated on the basis of individualism vs. collectivism aspect from Hofstede's five dimensions of culture and Triandis' (1989) idiocentric vs. allocentric dichotomy. De Mooij and Hofstede (2002) posit that people take care of themselves and their immediate family only in individualistic cultures, while people are closely associated with a group that looks after them in collectivistic cultures. Identity is based on the social network that an individual belongs to. In addition, adherence to group norms is valued more than individual differences. Dutta-Bergman and Wells (2002) also point out the effects of individualism-

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collectivism on consumer preferences for advertising appeals and other aspects of marketing communications. Arnold and Bianchi (2001) link cultural values and consumer behavior. They posit that members of individualistic cultures will probably be favorable toward differentiation and uniqueness, while those from collectivistic cultures will probably be favorable toward relationship-building and maintaining connections. Following this logic, they also propose behavior of individualistic consumers will be motivated by personal preferences, while that of collectivistic consumers will be motivated by preferences and needs of close others. Based on the above discussion, the first set of hypotheses on motivations to adopt cellular phones is proposed to examine the effects of individualism/collectivism on respondents' adoption behavior.

H1-1: Allocentric individuals are more likely to adopt cellular phones to maintain communication with others than idiocentric individuals.

H1-2: Allocentric individuals are more likely to adopt cellular phones to respond to peer pressure than idiocentric individuals.

H1-3: Allocentric individuals are more likely to adopt cellular phones to imitate family member's adoption behavior than idiocentric individuals.

H1-4: Allocentric individuals are less likely to adopt cellular phones to enhance individual mobility than idiocentric individuals.

H1-5: Allocentric individuals are less likely to adopt cellular phones to make a fashion statement than idiocentric individuals.

H1-6: Allocentric individuals are less likely to adopt cellular phones to seek for novelty (product) functions than idiocentric individuals.

H1-7: Both allocentric and idiocentric individuals respond similarly to culture-neutral motivation such as business requirement.

H1-8: Both allocentric and idiocentric individuals respond similarly to culture-neutral motivation such as lack of public telephone access.

H1-9: Both allocentric and idiocentric individuals respond similarly to culture-neutral motivation such as promotional activities.

H1-10: Both allocentric and idiocentric individuals respond similarly to culture-neutral motivation such as reasonable subscription fee.

Wilkie (1986) posits that economic and cultural differences affect the complexity of the consumer decision-making process. Both the number of product attributes and the type of attributes perceived to be important are affected by the above-mentioned factors. Du Preez, Diamantopoulos, and Schlegelmilch's (1994) study provides empirical data to examine whether culture of consumers affects the number of product attributes considered important in purchasing a car. Their study compares Korea, Spain, and France and finds that Korean respondents consider an average of 10.52 attributes to be important, compared with 7.07 for French and 3.89 for Spanish consumers. Furthermore, a majority of Korean respondents consider 12 attributes as important, while 6 attributes for French and none for Spanish consumers (Du Preez, Diamantopoulos, and Schlegelmilch, 1994).

Cellular telephone is an intrusive technology with its ability to reach a person at anytime and any location. Therefore, features (e.g., caller id, mute, and voicemail) are likely to be perceived as important by idiocentric adopters who emphasize their personal privacy. In addition, as a new ICT, observability of cellular phones (Rogers, 1995) is more likely to influence the adoption decision of idiocentric individuals who emphasize individualism, differentiation, and unique. Therefore, idiocentric individuals are more likely to prefer advanced and fancy product features (e.g., backlight keyboard, style, price, brand name, and dual bandwidth) to make themselves different. Based on the above discussions, the second set of hypotheses is proposed to examine whether consumers' individualism/collectivism dimension has effects on their importance perception of cellular telephone attributes.

H2-1: Allocentric individuals are less likely to perceive caller id as important than idiocentric individuals.

H2-2: Allocentric individuals are less likely to perceive mute feature as important than idiocentric individuals.

H2-3: Allocentric individuals are less likely to perceive voicemail as important than idiocentric individuals.

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H2-4: Allocentric individuals are less likely to perceive backlight keyboard as important than idiocentric individuals.

H2-5: Allocentric individuals are less likely to perceive anti-theft feature as important than idiocentric individuals.

H2-6: Allocentric individuals are less likely to perceive price as important than idiocentric individuals.

H2-7: Allocentric individuals are less likely to perceive style as important than idiocentric individuals.

H2-8: Allocentric individuals are less likely to perceive brand name as important than idiocentric individuals.

H2-9: Allocentric individuals are less likely to perceive dual bandwidth as important than idiocentric individuals.

3. Research Methodology

The questionnaire survey method is employed for collecting the data for the present study. In addition to the demographic data, the questionnaire contains the following sets of measurements: (1) motivations for adopting cellular telephones; (2) perception of product attribute importance; (3) individualism scales. Six questions are used to measure demographics, which includes age, gender, occupation, educational level, discretionary income, and martial status. Ten questions are used to measure respondents' adoption motivations. Items selected by respondents are coded as "1", while those not selected are coded as "0" in the statistically analysis. Nine 5-point Likert statements are used to assess respondents' evaluation of various functions of cellular telephones (Cronbach's alpha=0.7952). Respondents select "5" if they think the specific product attributes are "very important" to their adoption decision, while "1" is chosen if the attributes are viewed as "not very important."

Five 5-point Likert statements are used to measure individualism (Cronbach's alpha=0.6570). Scales range from 1 point (strongly disagree) and 5 point (strongly agree). An individualism score (IDV) is computed on the basis of five individualism scales. The aggregate score is later used to divide the respondents into two groups: allocentric group (1<IDV<3.4) and idiocentric group (3.6<IDV<5.0). As discussed in previous paragraphs,

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an allocentric individual shows characteristics congruent with collectivistic cultures, while an idiocentric individual shows characteristics matching individualistic cultures.

3.1 Sample Characteristics

The method for this study is a questionnaire survey. Data are collected using a self-administered paper questionnaire completed by Taiwanese consumers in a southern port city of Kaohsiung. Surveys are conducted in three shopping centers located in the central, southern, and northern parts of the city. Surveys are conducted both during the weekdays and the weekends to recruit a representative sample.

The survey collects data from 592 respondents. Ten questionnaires have many missing data and are discarded from the dataset. In the end, there are 582 respondents in the data. Over 57.4 % (n=334) of our sample is male, while 42.6% (n=248) is female. The respondents include a gamut of different age brackets. Those who are below 30 years old account for 64.4% (n=375), while those between 31-40 years old represent 22.2% (n=129) of the total sample. 10% of the sample (n=61) is made up of respondents aged between 41-50 years, while those older than 51 years old account for 2.9% (n=17) (See Table 1).

In terms of respondents' educational levels, those with university and post-graduate degrees account for 25.8% (n=350) of the sample. Those who attend junior college are equal to 224 (38.5%), while those in senior high and vocational school levels account for 186 (32.0%) of the sample. About occupation, student population accounts for 20.1% (n=117) of the sample. Those working in service industry also account for 33.3% (n=194) of the sample. Respondents from other occupations can also be found with professional (n=60, 10.3%), business (n=84, 14.4%), and public sectors (n=44, 7.6%) (See Table 1).

Table 1: Demographic Profiles of the Sample

		Cases	%
Gender	Male	334	57.4
	Female	248	42.6
Age	Below 20 years old	66	11.3
	21-25 years old	168	28.9

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	26-30 years old	141	24.2
	31-35 years old	78	13.4
	36-40 years old	51	8.8
	41-45 years old	34	5.8
	46-50 years old	27	4.6
	Above 51 years old	17	2.9
Educational Levels	Post graduate level	24	4.1
	University level	126	21.7
	Junior college level	224	38.5
	Senior high and vocational school level	186	32.0
	Junior high school and elementary school level	19	3.3
	Others	2	0.3
Occupations	Student	117	20.1
	Service industry	194	33.3
	Professional	60	10.3
	Agriculture, Forestry, Fishery, and Farming	4	0.7
	Military	33	5.7
	Business	84	14.4
	Public sectors (government & education institutes)	44	7.6
	Housekeeping	7	1.2
	Others	39	6.7
Marital Status	Unmarried	372	64
	Married	204	35.1
	Divorced	4	0.7
Monthly Income (1 USD=35NTD)	Below NTD 10000	75	13.0
	NTD 10001-30000	195	33.7
	NTD 30001-60000	229	39.6
	NTD 60001-90000	52	90
	NTD 90001 or higher	28	4.8

Based on their responses to the five-item individualism scales, an aggregate (index) score is computed by averaging five scales in this section. Responses range from 1.20 to 5.0 on the five-point Likert scales. Allocentric respondents are those whose responses range from 1.20 to 3.40, while accounts for 64.9% (n=378) of the sample. Idiocentric respondents are those whose responses range from 3.60 to 5.0, which represents 35.1% (n=204) of the sample (See Table 2). T-test also indicates that differences between two groups are statistically significant (t=-30.055***, p<0.000).

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Table 2: Individualism Scale Scores

Individualism Scales	Allocentric Group Mean	SD	Idiocentric Group Mean	SD
I love to take risks and face new challenges.	3.41	0.78	4.14	0.75
I like to indulge in the latest fashion.	2.99	0.74	3.94	0.73
I always act whatever and whenever I feel like it.	2.42	0.85	3.56	0.92
I always challenge traditions.	2.69	0.87	3.85	0.84
I am spontaneous.	3.21	0.76	4.14	0.60
Aggregate mean [a]	2.95	0.39	3.93	0.34

Note: [a] Aggregate mean is computed by averaging subjects' responses to the five individualism scores.

4. Findings and Discussions

4.1 Effects of Individualism/Collectivism on Adoption Behavior

The first set of hypotheses aims to examine whether individualism/collectivism has effects on respondents' adoption of cellular telephones. It is hypothesized that allocentric individuals tend to adopt cellular telephone to maintain ties with group members (H1-1), to respond to peer pressure (H1-2), and to imitate family member behavior (H1-3). On the contrary, idiocentric individuals are more likely to adopt cellular telephones to increase individual mobility (H1-4), make a fashion statement (H1-5) and to seek for novel (product) functions (H1-6). Following the same logic, it is also hypothesized culture-neutral motivations will not be influenced by individual's collectivistic or individualistic orientations. These motivation types include business requirement (H1-7), lack of public telephone access (H1-8), promotional activities (H1-9), and reasonable subscription fee (H1-10).

Independent sample t-test procedures are used to compare the mean differences between allocentric and idiocentric groups. Results support that culture-neutral motivation types are not affected by respondent's individualism/collectivism dimension: business requirement (t=1.387, p=0.166), lack of public telephone access (t=-1.419, p=0.157), promotional activities (t=-0.732, p=0.465), and reasonable fee (t=-1.329,

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p=0.185) (See Table 3).

Idiocentric individuals are also found to adopt cellular telephones to satisfy individual needs: to make a fashion statement (t=-3.956***, p=0.000<0.000) (H1-5) and to seek for novel functions (t=-3.590***, p=0.000<0.000) (H1-6). The t-test procedures show that overall idiocentric individuals have higher means in these two individualistic motivation types than allocentric individuals. Although idiocentric group has a higher score (mean=0.13) than allocentric one (mean=0.12), the mean difference is not statistically significant (t=-0.370, p=0.712) (H1-4). (See Table 3).

As expected, allocentric individuals adopt cellular telephones to meet group expectations and norms: to maintain ties with group members (t=2.216*, p=0.027<0.05) (H1-1) and respond to peer pressure (t=2.185*, p=0.030<0.05) (H1-2). Allocentric group has higher means than idiocentric group in these variables. However, statistical analysis does not find support for H1-3. Although allocentric group has a higher score (mean=0.03) than idiocentric one (mean=0.01), the mean difference is not statistically significant (t=1.223, p=0.222) (H1-3). (See Table 3).

The present study provides empirical data to support the linkage between cultural value orientations and consumer's adoption behavior, as proposed by McCarty (1994). As the data suggest, consumer's cultural value orientations (in this case, individualism vs. collectivism) have influence over why they adopt cellular telephones. The study also lends support to the assertion made by Howard and Sheth (1969) that consumer's values influence consumer behavior. Findings from the study concur with *Reader's Digest* Eurodata that consumer's individualistic orientation influences their adoption of new ICTs (such as personal stereo and computer) that can address their personal preferences (cited in Hofstede, 1997).

The study further contributes to our understanding about the effects of cultural value orientations on consumer adoption behavior. Rather than assuming that consumers from the same culture will act in a similar manner, the study employs the emic approach and tries to identify the effects of intra-cultural differences on adoption behavior. Although the present study only investigates the effects of individualism vs. collectivism, individual differences within a single culture may well exist in other cultural value orientations. Results from the study can also be used as a foundation to study other

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Chinese communities in East Asia. Studies that systematically investigate the effects of other cultural value orientations on consumers from other cultures can shed light on this important issue in a global economy.

The present study also extends the scope of diffusion of innovation research that has been traditionally centered on a one-country and –culture context (Wei, 2001). The emphasis on a single country or culture ensures the validity of such research by arbitrarily restricting the possibilities of cultural heterogeneity among innovation adopters in different countries. Such an approach often ignores the potential influence of cultural factors on consumer's adoption decision, either within or between cultures. As new ICT innovations tend to diffuse at a global scale (e.g., Internet, cellular telephone, DVD, video game, etc.), the scarcity of attention paid to this theoretically important issue has led to the failure of addressing cultural factors in many diffusion of innovation studies (Dekimpe, Parker, and Sarvary, 2000; Talukdar, Sudhir, and Ainslie, 2002; Tellefsen and Takada, 1999; Wei, 2001). This study also has practical implications by alerting practitioners the importance of consumers cultural orientations in their marketing communications activities.

Table 3: T-test Results: Cellular Telephone Adoption Motivation

Motivations	Allocentric Group Mean	SD	Idiocentric Group	SD	t-value (p-value)
Business requirement	0.38	0.49	0.32	0.47	1.387 (0.166)
Lack of public telephone access	0.4	0.20	0.07	0.25	-1.419 (0.157)
Individual mobility	0.12	0.33	0.13	0.34	-0.370 (0.712)
Maintain ties with others	0.91	0.28	0.85	0.36	**2.216*** **(0.027)**
Peer pressure	0.04	0.21	0.01	0.10	**2.185*** **(0.030)**
Family member has one	0.03	0.17	0.01	0.11	1.223 (0.222)
Fashion statement	0.05	0.22	0.16	0.37	**-3.956***** **(0.000)**
Promotional activities	0.04	0.21	0.06	0.24	-0.732 (0.465)

Novel functions	0.09	0.28	0.20	0.40	**-3.590*** (0.000)**
Reasonable subscription fee	0.16	0.36	0.20	0.40	-1.329 (0.185)

Notes:

1. Two-tail significance test was used for t-test.
2. * means $p<0.05$
3. ** means $p<0.01$
4. ** * means $p<0.000$

4.2 Effects of Individualism/Collectivism on Perception of Product Attributes

The second set of hypotheses intends to examine whether respondents varying in individualism/collectivism dimension have different levels of importance perceptions of cellular telephones attributes. The consumer behavior literature has examined these effects and empirically identifies the relationships between these variables (Du Preez. Diamantopoulos. and Schlegemilch. 1994; Wilkie. 1986). Therefore. it is hypothesized that idiocentric individuals are more likely to emphasize cellular telephone attributes that can ensure personal privacy. protect themselves from intrusion. and differentiate themselves from other cellular telephone adopters (following the assumptions discussed in Arnold and Bianchi. 2001). Caller ID (H2-1). mute function (H2-2). voicemail (H2-3) can protect individuals from intrusion of unexpected or unwelcome telephone calls from others. Caller ID helps consumers to screen telephone call. while mute feature help eliminate unwelcome and untimely intrusion. Voicemail serves as a time-switching feature that allows users to respond to telephone calls later.

On the other hand. backlight keyboard (H2-4). anti-theft feature (H2-5). price (H2-6). style (H2-7). brand name (H2-8). and dual bandwidth feature (H2-9) are unique and advanced product features at the time when the survey was conducted. Owning a cellular telephone with these features are perceived to be "cool." "fancy." and "hi-tech." These product attributes cater to individual ego and desire to be different from other adopters.

Independent sample t-test procedures are conducted to examine the effects of individualism/collectivism on product attribute perception. Results support that cultural value orientation has effect on the kind of cellular telephone attributes considered to be

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important (See Table 4). In general, idiocentric group has higher means than allocentric group in terms of product attributes that are congruent with their cultural value orientations: caller id (4.22 vs. 4.06), mute (4.25 vs. 4.11), voicemail (4.19 vs. 3.93), backlight keyboard (3.99 vs. 3.77), anti-theft feature (4.23 vs. 3.98), price (3.91 vs. 3.69), style (4.49 vs. 4.39), brand name (4.03 vs. 3.83), and dual bandwidth features (3.95 vs. 3.76) (See Table 4). Findings are consistent with Arnold and Bianchi's (2001) study that members of individualistic cultures will probably be favorable toward differentiation and uniqueness, while those from collectivistic cultures will probably be favorable toward relationship-building and maintaining connections.

In terms of cellular telephone attributes that can ensure personal privacy, idiocentric individuals are also found to perceive these attributes to be more important than allocentric individuals do: caller id (H2-1) (t=-2.389*, p=0.017<0.05), mute (H2-2) (t=-2.087*, p=0.037<0.05), and voicemail (H2-3) (t=-3.646***, p=0.000<0.000). Statistical results suggest mean differences between these two groups are statistically significant and also consistent with the expected directions ($\text{Mean}_{\text{allocentric}}<\text{Mean}_{\text{idiocentric}}$). For product attributes that can enhance adopter's observability (Rogers, 1995), idiocentric individuals are also found to perceive these attributes to be more important than allocentric individuals do: backlight keyboard (H2-4) (t=-3.081**, p=0.002<0.01), anti-theft feature (H2-5) (t=-3.501**, p=0.001<0.001), price (H2-6) (t=-2.707**, p=0.007<0.05), brand name (H2-8) (t=-1.407, p=0.007), and dual bandwidth (H2-9) (t=-2.410*, p=0.016). Statistical results suggest mean differences between these two groups are statistically significant and also consistent with the expected directions ($\text{Mean}_{\text{allocentric}}<\text{Mean}_{\text{idiocentric}}$) (See Table 4).

Findings from the present study are consistent with predictions derived from a variety of theoretical frameworks (Arnold and Bianchi, 2001; Hofestede, 1997; McCarty, 1994; Rogers, 1995; Wilkie, 1986). Idiocentric individuals prefer cellular telephone attributes that address the individualistic needs (Arnold and Bianchi, 2001). According to the diffusion of innovation theory, innovation attributes are found to have effects on the diffusion process of cellular telephones (Wei, 2001). Rogers (1995) identifies five attributes of an innovation (e.g., relative advantage, compatibility, complexity, trialability, and observability). He also emphasizes the importance of adopter's

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perception in the process of innovation evaluation. As consumers internalize cultural value orientations from their daily exposure to marketing communications (Luna and Gupta, 2001) or the socialization process (McCarty, 1994), their perception of innovation attributes is likely to affect the innovation-decision process (Rogers, 1995).

In addition to the theoretical implications, findings from the study also contribute to better managerial decisions. Understanding that consumers with different cultural value orientations adopt cellular telephones for different reasons can help ICT industry to design and modify technologies accordingly. In addition, such an understanding can help better position and design product and advertising messages specifically tailored to different markets and consumers with diverse cultural backgrounds.

Table 4: T-test Results: Importance Perception of Cellular Telephone Attributes

Product Attributes	**Allocentric Group Mean**	**SD**	**Idiocentric Group Mean**	**SD**	**t-value (p-value)**
Caller ID	4.06	0.80	4.22	0.78	**-2.389* (0.017)**
Backlight keyboard	3.74	0.93	3.99	0.89	**-3.081** (0.002)**
Mute feature	4.11	0.80	4.25	0.81	**-2.087* (0.037)**
Anti-theft feature	3.98	0.79	4.23	0.79	**-3.501** (0.001)**
Voicemail	3.93	0.83	4.19	0.82	**-3.646*** (0.000)**
Price	3.69	0.90	3.91	1.02	**-2.707* (0.007)**
Style	4.39	0.82	4.49	0.75	-1.407 (0.160)
Brand name	3.83	0.87	4.03	0.91	**-2.599** (0.010)**
Dual bandwidth	3.76	0.91	3.95	0.96	**-2.410* (0.016)**

Notes:

1. 5 point Likert scales. 1=strongly disagree, 5=strongly agree.
2. Two-tail significance test was used for t-test.
3. * means $p<0.05$
4. ** means $p<0.01$
5. *** means $p<0.000$

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5. Conclusion

Taken collectively, the findings of the present study highlight the potential of integrating culture and cultural value orientations into understanding adoption behavior of new ICTs. These findings help practitioners to better design product and advertising messages by taking into consideration cross- and intra-cultural differences. Theoretical implications generated from the current study emphasize that intra-cultural differences and the effects need to be examined rigorously. Statistically analyses support the robustness of individualism/collectivism construct. As consumers are also influenced by other cultural value orientations within their culture, there needs a programmatic investigation on relevant issues at a comprehensive and global context.

Findings from the study should be interpreted with cautions. There are several limitations of the present study. The study uses a convenience sampling method that restricts the generalizability of the results. Even though the cellular telephone penetration has reached 100%, results from a non-random sample should be read cautiously. Another limitation is the development of cultural value orientation scales. Scales used in the present study need to be expanded and validated rigorously to capture the multi-dimension nature of consumer's individualism/collectivism orientation. Scales developed by Hofstede (1997) might not be suitable to study the adoption of new ICTs. Modifications need to be made by incorporating critical concepts from the innovation of diffusion and consumer behavior research.

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Has Lead-in Lost Its Punch?

A Comparison of Prime Time Ratings Inheritance Effects Between 1992 and 2002

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Abstract

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For decades, the single best predictor of a television program's ratings performance has been the supposed *inheritance effects* derived from the ratings of the program leading into it. Recognizing the recent dramatic increase in the number of channels available to the typical American household coinciding with an equally dramatic decrease in audience ratings for the major broadcast networks, there was reason to speculate that over the past decade "couch potato" audiences have come out of their stupor and become more discriminating and therefore, less susceptible to this scheduling strategy. However, an analysis of prime time ratings comparing 1992 with 2002 for ABC, CBS, NBC and Fox showed no support for this notion. In fact, findings revealed a modest increase in inheritance effects, suggesting that, despite the recent upheavals in the television industry, lead-in has not lost its punch.

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The business of commercial television is the selling of audiences to advertisers, which often translates into the buying and selling of rating points. Television programmers have been long been aware of the capacity of a program to "inherit" sizable ratings from the program scheduled immediately before it. Although intervening variables, such as program genre, lead-out, and daypart, have been shown to have some minor influence on this phenomenon, by far the most powerful predictor of program ratings has been the mere size of a program's lead-in audience. This was reaffirmed empirically many times during the 1970s and 1980s. However, in recent years conventional broadcast television, represented by "the Big Four" of ABC, CBS, NBC and Fox, has experienced so much audience upheaval, it seems plausible to question the potency of lead-in scheduling strategies. Given the circumstantial evidence of plummeting ratings coinciding with ever-increasing program competition from cable, satellite, and other alternative media over the past decade, one might suspect that audiences today are more discriminating and therefore, less susceptible to the tuning inertia of inheritance effects.

The purpose of this study was to ascertain whether lead-in programming has lost it punch in terms of influencing prime time audience ratings. A study comparing Nielsen prime time household ratings of 1992 with 2002 was conducted to answer this question. To date, there have been no published studies offering this type of annual ratings comparison. In addition to adding to the existing body of work on inheritance effects, this study raises some provocative theoretical concerns about program scheduling practices and audience behavior in a multi-channel environment.

Literature Review

Inheritance Effects

The overall ratings impact of lead-in programming has been confirmed myriad times by industry and academic researchers. Beginning in 1975, Goddhart, Ehrenberg, and Collins coined the term *inheritance effects* while working on the broader issue of audience duplication among programs. They discovered a highly predictable flow of audience between adjacent programs. Headen, Klompmaker, and Rust (1979) proposed a more sophisticated model introducing several independent variables including ratings, channel, program type, daypart, and repeat viewing. Using Simmons Market Research data, an examination of over 4,000 combinations of pairs of programs revealed that by a substantial margin, ratings were the single best predictor variable. A different model offered by Webster (1985) introduced factors of audience availability, lead-in program ratings, the number of program options, and program content. Using Arbitron ratings from one sweep period , Webster concluded that for adjacent program pairs, lead-in ratings and the number of program options in combination explained 80% of the variance. A massive 22-year study of network prime time programming from 1963-1985 conducted by Tiedge and Ksobiech (1986) concluded that programs with high-ranked lead-ins scored higher share points than those with low ranked lead-ins. Also, fewer program options produced higher lead-in correlations and visa versa. In 1988, the same research team using the identical ratings data set concluded that the "pull" effects of lead-out were minimal compared to the stronger "push" effects of lead-in programs (Tiedge & Ksobiech, 1988). Looking at nine years of Nielsen ratings from 1976 to 1985, Walker (1988) found that the correlational relationships among inheritance effects, lead-in, program type, and number of options supported the earlier findings of Tiedge and Ksobiech (1986). Boemer (1987) found in one television market high positive correlations between audience ratings of local late evening newscasts and their respective prime time lead-ins. Davis and Walker (1990) discovered that the most effective way to compete in prime time against new media (cable and satellite) was to take advantage of lead-in effects. Examining syndicated rather than network programs, Cooper (1993) correlated the influence of several variables on program ratings including lead-in, lead-out, number of options, program type compatibility, network affiliation, and cable penetration. The results from a 50-market analysis revealed that lead-in ratings completely overwhelmed any other factor in the model. A fairly consistent conclusion found among most but not all of these early studies that included *number of program options* as a variable was that as the number of options increased, the correlations between lead-in and lead-out programs (i.e. inheritance effects) weakened. A more detailed examination of the definitional problems surrounding the term program options is presented in the discussion section of this study.

During the 1990s and beyond, inheritance effects continued to be analyzed within the context of testing other variables. For example, McDowell and Sutherland (2000) discovered in a single market case study of local newscasts that audience-based brand equity of the news program could affect the relative influence of lead-in ratings. From an advertising perspective Napoli (2001) found that at the beginning of a new fall premiere season, the ratings of returning lead-in programs can assist network sales departments in reducing the degree of error in forecasting the ratings for new prime time programs. Although the above mentioned studies and several more all included the notion of inheritance effects, none looked back to see if this well recognized audience phenomenon has changed over time.

The Art and Science of Scheduling

Savvy television programmers will concede that the ratings performance of many supposedly successful programs is more a matter of clever scheduling than compelling content. When analyzing a program's ratings performance Webster, Phalen and Lichty (2000) warn that

> Some people assume the choice of a program centers upon the active expression of a preference for a program or type of program. However, so called *structural factors* have traditionally been considered important mediators of the programs viewers choose and complicate the relationship between viewing preference and viewing behavior". (p. 178)

Over the years these structural factors have acquired their own special jargon as outlined by Eastman & Ferguson (2000). For example, placing a relatively weak or unfamiliar program between two strong programs is called "hammocking". This is a common strategy used to stimulate sampling of a new program. Inserting a strong program between two weaker entries has been dubbed "tent-poling" and is often associated with the notion of salvaging a poor program line-up. Offering several adjacent programs with highly similar content, such as an evening of sitcoms, is called "block programming." The strategy of responding to a competitor with radically different program content is known as "counter-programming." Eastman, Newton, Riggs and Neal-Lunsford (1997) analyzed ways the major networks capitalized on inheritance effects and enhanced audience flow by positioning commercial breaks away from the natural transitions between programs.

Because most networks and large-market stations negotiate commercial rates based on ratings delivery, the added ratings gained or lost from program scheduling can amount to subsequent gains or losses in revenue (Surmanek, J. (1996). All of the above-mentioned scheduling techniques share a common strategic thread in that they attempt to take advantage of the power of lead-in and although this strategy is still popular, there have been no nonproprietary longitudinal studies to see if this strategy has lost some of its potency. A plausible reason for alleging such a decline is the unprecedented increase over the past decade in the number of program options available to audiences.

Program Options Explode During the 1990s

During the 1970s and 1980s, when most of the above mentioned inheritance studies were conducted, the media landscape remained relatively constant. For over thirty years America was serviced by a three-network oligopoly (Long, 1979). In 1987, Fox became a feisty competitor to the "big Three" but did not become a significant force until the mid 1990s when the network acquired the broadcast rights for NFL football and began to persuade established VHF stations to switch network affiliations (Litman, 1998; Block, 1990). Later, upstart networks WB and UPN and most recently Pax have chipped away audiences from the larger incumbent networks. Corresponding with this increase in broadcast networks was widespread dissemination of remote control tuning devices, which enhance greatly the physical ease of changing channels. Also, it should be noted that during this period, the amount of time dedicated to watching television by the typical American household actually increased. Despite much talk and speculation about the potential distractions coming from internet usage, American households in 2001 watched an averaged over 53 hours of television per week, a significant increase over the 48 hours of household watching recorded in 1990 (Nielsen Report, 2001).

The decade of the 1990s witnessed not only a dramatic increase in the number of broadcast networks but also the number of cable/ satellite networks. According to Nielsen Media Research, channel availability for the typical American home (cable and non cable combined) surged from 33.2 channels in

1990 to 89.2 channels in 2001, a 170 percent increase (Nielsen Report 2001). In December 2002, for the first time in history, Nielsen claimed that households watched more programming emanating from cable networks than from broadcast networks (Romano, 2002).

During this same time span, the temptation to switch channels was encouraged by a significant increase in advertising clutter. Ching and Lee (2001) found that in addition to expected "surfing" among channels seeking content, there was the deliberate avoidance of commercials, often referred to as *zapping,* during prime time viewing. Given these historic shifts in audience behavior, there is cause to take a second look at the psychological disposition of audiences.

Audience Disposition

A primary assumption of inheritance effects studies has been that there are significant numbers of passive or uncommitted viewers who are not motivated to change channels (Webster, Phalen and Lichty, 2000) . The result is what some researchers call *tuning inertia*, whereby the audience disposition is to remain on the same channel unless there is a sufficient external force that alters the mindless momentum (Cooper, 1996). This is not a new concept. Rubin (1984) maintained that the simple act of watching television, regardless of the specific content, can become a daily ritualistic behavior. Some industry observers have coined the phrase "glow and Flow", referring to the idea that programs are of secondary importance as long as something fills the screen (Head, Spann and McGregor, 2001). Furthermore, it is no secret that mere habit is a powerful force that often supercedes other motivations for seeking alternative program content

(Rosenstein, 1997). None-the-less, given (a) the staggering amount of program options available today (b) the significant drop in broadcast network audiences and (c) the fact that people knowingly subscribe to multi-channel services, one could postulate that audiences have come out of their stupor and are more attentive to satisfying their viewing desires.

A second look at Inheritance Effects

The underlying rationale for this hypothesis is that subscribing to cable or a satellite service is a deliberate act impacting people's personal finances every month. Therefore, audiences should have a heightened awareness of these new choices and should be motivated to investigate these viewing options. In terms of published studies, the notion of heightened awareness resulting in more deliberate channel changing is perplexing. For instance Heeter (1995) found that channel changing was a sign of greater selectivity and reevaluation of programs. However, Perse (1990) concluded that channel changing reflected less attentive use of television. Regardless of these inconsistent findings from early academic research, the researchers for this study were convinced that the mass defection of broadcast network audiences to cable over the past decade implied a certain audience selectivity. That is, instead of passive ritualistic viewing behavior, audiences can also take part in what Rubin (1987) calls *instrumental* behavior, characterized by viewing that is planned and attentive. With so much obvious choice, revealed through ubiquitous TV program listings and advertising, coupled with the conscious decision to subscribe to a multi-channel service, it seems plausible to presume that audiences have become more discriminating and as a result, the ratings power of lead-in programming has lost some of its punch. Given the changes in the media market, inheritance effects should not be as strong today as they were in the past. This leads naturally to a working research hypothesis:

H1: Inheritance effects were not as strong in 2002 as they were in 1992.

Methodology

For this study, "inheritance effects" were operationalized as the ability of a program to retain audience ratings from the program scheduled immediately prior. The sample frame was prime-time network ratings as reported by *Broadcasting and Cable* and *Electronic Media* magazines throughout 1992 and 2002.

Coders selected ABC, CBS, NBC and Fox programs where ratings were available for the program immediately prior. Effectively, the first program was skipped and coding started with the second program of the evening. For each selected program, coders recorded 1.) target program share, and 2.) prior program share. Coders attempted to use all fifty-two weeks of data. However, ratings data were not available for seven weeks in 2002. These weeks were skipped – making the data set for 1992 somewhat larger. Data sets for each year were kept separate until the analysis began. At that time, a dummy variable for year was added. Audience shares rather than ratings were selected as the unit of analysis because shares are a function of HUT (Homes Using Television) levels at a specific time and therefore, offer a more standardized measure of program-to-program performance over time.

The analysis stage presented researchers with a problem not found in previous inheritance studies. Typically, prior studies have looked at inheritance in context of several other variables. Given overwhelming support for inheritance in prior studies, this study simply compares the inheritance effect in one time period to the same effect in another time period. Prior studies looked at the correlation (Pearson's r) between past and target program rating. More advanced studies went on to use regression analysis to compare inheritance to other possible predictors of audience size. This study compared the correlation between past and current programs in the two time periods. A regression analysis was used to test the difference.

The basic question was whether the two regression lines were the same or if the effect had changed. According to Gujarati (1988) there are two main methods for comparing regressions. The Chow (1960) test is sensitive to heteroscedasticity1 (common in rating data) and produces errors. A Park test (as described in Gujarati, 1988) was run and confirmed the presence of heteroskidasticity so the Chow test was not used.

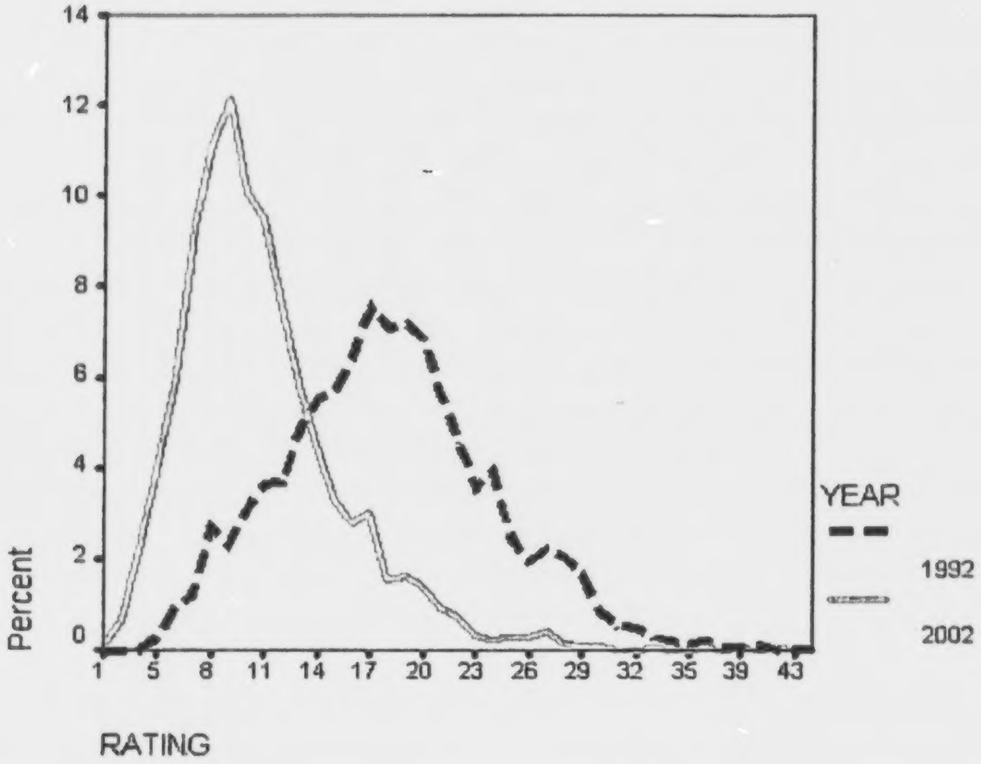
The second method uses a dummy variable approach from Gujarati (1970). In this approach, observations from both regressions (1992 and 2002) are pooled into a single regression.

$$Y_i = \alpha_1 + \alpha_2 D_i + \beta_1 X_1 + \beta_2 (D_i X_i) + \square_I$$

The above equation starts with the standard regression equation including a dependant variable (Y_i), the independent variable slope ($\beta_1 X_1$), intercept (α_1), and error term (u_i). The second regression line was tested with the additional variables $\alpha_2 D_i$ for the intercept and $\beta_2(D_i X_i)$ for the slope -- where D_i was a dummy variable. In this case, "year" is entered as a dummy variable (D_i) with 1992 = 0 and 2002 = 1. The second term $D_i X_i$ is computed by multiplying the dummy by the dependent variable. If the measures for this second line are significant, then the two regression lines are significantly different and the two lines can be determined from the final equation. If the measures are not significant, then the null hypothesis (no significant difference) can be accepted and one regression line exists. The advantage of this method is that both regression lines can be computed from the equation (discussed below).

There was one additional challenge to the project before continuing with the analysis. As described in the literature review, there have been some dramatic changes in the television market and these changes were reflected in the data set. The average program share in 1992 was 18.0 compared to 10.9 in 2002. An ANOVA was performed to confirm that the two data sets were significantly different ($F = 2133.2$, $p > 0.001$). In Figure One below you can clearly see the difference between the two histograms. Not only was the mode clearly shifted but also the curve for 2002 was more skewed than in 1992. Left uncorrected, the regression may show significance not because of a difference in inheritance but because of other differences between the years.

Figure One. Program Share Comparison Between 1992 and 2002



In order to effectively compare the two years, the share values were standardized for year. Standardization is the process of converting data to the same scale by subtracting the sample mean ad dividing by the standard deviation (Malhotra,1993). Standardization does not change the correlation between variables but simply makes the mean equal to zero and the standard deviation equal to one. In this study, "share" and "previous share" were standardized by year. Once each data set (1992 and 2002), were standardized the analysis could proceed.

Results

The data collection resulted in a very large data set. As summarized in Table One, data was collected from 3050 programs in 1992 and 2541 in 2002. There was a shift of about seven share points difference between 1992 and 2002. Not only did overall shares drop from 18 to 10.9 but also the maximum and minimum shares dropped about the same amount. The correlation between target and previous program (Pearson's r for share) for 1992 was 0.618 (2-tailed significance < 0.001) and in 2002 was 0.664 (2-tailed significance < 0.001). This first level of the analysis shows a strong and similar effect of inheritance despite a drop in overall share.

Table One. Descriptive Statistics

Year		N	Minimum	Maximum	Mean	Std. Deviation
1992	Share	3050	5	50	18.0	5.9
2002	Share	2541	1	42	10.9	4.6

A single regression analysis was sufficient to test the hypothesis. Table Two displays the result of the regression analysis. The overall regression equation had a reasonably strong adjusted R-square of 0.409 and the F (1289.7) was highly significant (> 0.001). Now looking at the individual variables in the equation, all variables in the equation were significant. The constant (intercept) and "previous program share" were both highly significant (> 0.001). The "dummy variable for year" and the "dummy times previous program share" were both acceptably significant at the 0.05 level. A likely level of autocorrelation between these variables probably reduced some of the significance. The first level of analysis was that the regression equation supports the importance of inheritance effect *and* a change in inheritance effect from 1992 to 2002. As a result, the null hypothesis (no effect) was rejected but that is not the end of the story.

Table Two. Regression Output

Model Summary(b)

R	R Square	Adjusted R Square	Std. Error of the Estimate
.640(a)	.409	.409	.768

a Predictors: (Constant), Dummy for Year, Stand Prev. Share, Dummy X Prev.
b Dependent Variable: Standardized Share

ANOVA(b)

	Sum of Squares	df	Mean Square	F	Sig.
Regression	2286.8	3	762.3	1289.7	.000(a)
Residual	3302.2	5587	0.6		
Total	5589.0	5590			

a Predictors: (Constant), Dummy for Year, Stand Prev. Share, Dummy X Prev.
b Dependent Variable: Standardized Share

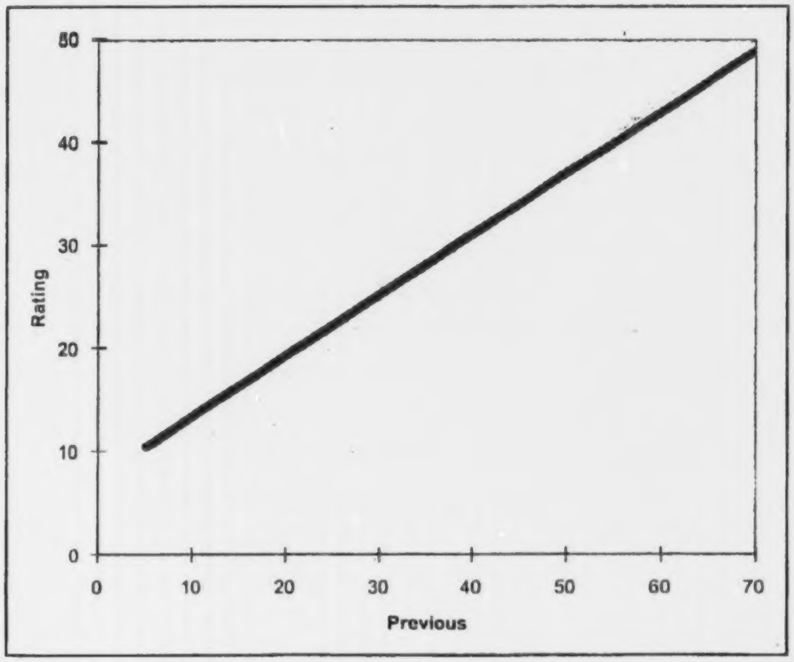
Coefficients(a)

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.816	.140		27.3	.000
Stand Prev. Share	.618	.014	.618	44.4	.000
Dummy X Prev.	.046	.021	.231	2.2	.026
Dummy for Year	-.459	.208	-.229	-2.2	.027

a Dependent Variable: Standardized Share

Figure Two graphically displays the predicted regression lines based on raw (not standardized) data. The adjusted R-square for raw data regressions in 1992 was 0.382 and in 2002 was 0.441 (intercept and slope significant > 0.001). The lines seem similar but what was important was that the slope of the line for 2002 was greater than 1992. This effect is exactly opposite of what was predicted by the operational hypothesis. If the operational hypothesis was supported, the line for 2002 would not cross the line for 1992 and would have a more gentle slope. This means that the data not only fails to support the null but also the operational hypothesis. The data supports the conclusion that inheritance effect actually *increased* from 1992 to 2002. While the increase was modest, it was opposite what was predicted from the literature review.

Figure Two. Predicted Regression Lines by Year



Turning to the interpretation of the regression line summarized in Table Two. The regression equation predicts the following.

$Y = 3.82 - 0.46\ D_i + 0.62\ X_i + 0.05\ D_iX_i$

The resulting regression equations per year would then be:

1992 $Y = 3.82 + 0.62\ X$

2002 $Y = (3.82 - 0.46) + (0.62 + 0.05)\ X$

$= 3.36 + 0.67\ X$

Again, the increase is statistically significant although it is modest. What was important was the direction of the change. At the very least, this data supports the conclusion that inheritance effect is holding its own and quite possibly becoming more important.

Discussion

Based on the results of this study, one can conclude that despite a decade of plummeting ratings and ever-increasing competition from other media, the power of lead-in among the four major broadcast networks appears not to have lost its punch. Indeed, the data suggest a modest increase in the drawing power of lead-in programming. As revealed in the hypothesis, these findings were not expected and open the door to theoretical speculation and future research.

There were some obvious limitations to this study that need to be disclosed. First, only two years were selected for comparison. A more ambitious study might have examined each year within the decade, recording any annual deviations from the presumed long-term stability of inheritance effects found in this study.

A second limitation was the scope of the study in that it was restricted to the major broadcast networks and not to cable or individual local markets. In the same manner, it would be useful to study the magnitude of inheritance effects on daytime "strip" programming in addition to prime time offerings.

Another limitation was that the study dealt with simple audience ratings, which do not reveal the complexities of audience flow between programs. That is, a program does not necessarily "inherit" the entire audience from its lead-in. Instead, some audiences may arrive from other channels or from tune-in households that were not watching television at all. (For a substantial fee, Nielsen provides such information for client subscribers). Therefore, there is a certain "leap of faith" whereby the calculated regression figures are intended to reflect the migration of the same viewers from one adjacent program to another.

Assuming that regardless of the availability of dozens of new program options, a majority of viewers are not motivated to change channels, there remains the nagging question of explaining why this tuning inertia is still so strong. As mentioned earlier, the researchers assume multi-channel subscribers are sufficiently aware of non-broadcast channels. Except for alleviating over-the-air reception problems, why else would people pay money to watch television? This assumption is substantiated by the severe drop in broadcast network ratings anfd a corresponding jump in cable viewing between 1992 and 2002. Obviously many audiences have defected to cable and other alternative media, but once they arrive at a particular channel, perhaps the power of lead-in takes hold in the same fashion as it does for the broadcast networks. A study of lead-in programming from a broad sampling of cable networks would shed more light on this question.

Scrutinizing the literature review a second time may uncover some misunderstandings, in particular the notion of *available channels*. For studies conducted in the 1970s ands 1980s, program options were minimal, including no more than a handful of channels. Many researchers defined the number of options at a specific time as programs that were not already in progress. For example, at 8:30 PM, if two out of four programs airing were one hour in length and began a half hour earlier at 8:00PM, the researchers would arbitrarily reduce the "number of options" to two. This reduced number of "options" ,in turn, resulted in an observed increase in inheritance effects and visa versa. This conceptualization is a far cry from more contemporary definitions of *available channels*, where all channels are accrued at a specific time, regardless of the juxtaposition of the duration of the program.

A clue to understanding the underlying psychology of inheritance effects in a multi-channel environment may be found in some additional data provided by Nielsen, which reports that, while the number of available channels has nearly tripled in recent years, there has been only a modest increase in the number of channels *actually viewed*. According to Nielsen, the typical American household today has access to almost 100 channels, yet the average number of channels actually viewed is only 14. Looking back to 1994, which provided less than half the channel availability of 2001, the average number of channels viewed per household was 10. Obviously, we have a classic example of the law of diminishing returns, where more choice does not translate directly into more channels viewed. Some researchers, such as Ferguson and Perse (1993), refer to this preferred subset as a viewer's *channel repertoire*. This means that regardless of a three-fold increase in the number of available channels, the major broadcast networks compete ultimately in a much smaller arena of only a dozen or so heavily trafficked channels. Furthermore, in terms of the proportion of channels viewed , there is circumstantial evidence of increased viewer loyalty. Where in 1994, audiences watched about 30 percent of available channels (10 out of 33), by 2001, audiences were watching less than sixteen percent of available channels (14 out of 89). Admittedly, there is substantial channel switching going on, but this frenetic activity appears to settle into a predictably small repertoire of acceptable channels of which the "Big 4" networks are usually included. Furthermore, within this repertoire, these broadcast networks still manage to capture roughly half of all viewing.

In terms of measuring audience behavior, it should be noted that Nielsen methodology attempts to discard "uncommitted" viewing by enforcing five-minute minimum viewing thresholds before a station or network is given average quarter-hour (AQH) viewing credit in a published report.

After pondering these data, perhaps the durability of inheritance effects is not as surprising as the researchers initially thought. As many restaurant owners will attest to, a huge menu does not necessarily mean that customers will take equal advantage of all items available. Typically, there will be a relatively small core group of meals that account for the most of the restaurant's business. Similarly, we propose that a vast menu of TV channel options does not produce substantial fragmentation in viewing. Audiences may "surf", "graze" or "zap" among many channels but ultimately, they migrate back to a familiar set of a dozen well-used channels. Perhaps the art and science of media *branding* can offer some theoretical insight into this behavior. In conclusion, the phenomenon known as inheritance effects appears to remain a potent force in contemporary multi-channel television and deserves continued attention and research.

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STRANGE BEDFELLOWS:

The Diffusion of Convergence in Four News Organizations

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The Diffusion of Convergence in Four News Organizations

Abstract

This study examines newsroom convergence -- a combination of technologies, products, staffs and geography among the previously distinct provinces of print, television and online media -- though the framework of diffusion of innovations theory. Using a combination of qualitative and quantitative data drawn from case studies of four newsrooms, it suggests that although there are ongoing culture clashes and other issues of compatibility, journalists see clear advantages to the new policy of convergence.

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STRANGE BEDFELLOWS:
The Diffusion of Convergence in Four News Organizations

con-verge': 1: to tend or move toward one point or one another: come together
2: to come together and unite in a common interest or focus
3: to approach a limit as the number of terms increases without limit
(Merriam-Webster, 2003)

Journalists once thought that they worked for a newspaper, a Web site or a television station. They are finding instead that they work for an information company – one that expects them to unite with former competitors in the common interest of delivering that information. Enthusiasm varies for this process that the industry terms "convergence," which seems to bring with it a limitless number of potential new tasks for journalists to fit into their workday.

Convergence, in its current media context, refers to some combination of technologies, products, staffs and geography among the previously distinct provinces of print, television and online media. Processes and outcomes vary widely among the dozens of markets in which the concept is being explored. For some, convergence emphasizes information sharing. For others, it involves newspaper reporters taping a voice-over for a newscast, or television reporters phoning in breaking news details to update a Web site. In a few, journalists gather information that they turn into an immediate online story, a package for the evening news and an article for the next day's paper. Physically, it can mean working in separate buildings – or at adjacent desks.

This exploratory study uses diffusion of innovations theory to problematize the aspects of convergence that are most salient to news managers and staffers today as they struggle to adapt to these challenges to their work habits, their comfort zones, and their conceptions about what they do and why. It is based on case studies in four converged newsrooms and interviews with 120 journalists during January and February 2003, along with their responses to a questionnaire probing their attitudes about convergence.

A BIT ABOUT CONVERGENCE

Convergence has become a media industry buzzword, facilitated by the deregulatory environment in Washington and the resulting growth in cross-ownership. In a widely anticipated move, the Federal Communications Commission in June 2003 scrapped many of the existing rules that prevent one media company from owning multiple outlets in a single market (Ahrens, 2003). Newspapers now can own broadcast stations in the same city, and television could go the way of radio, with the biggest companies grabbing up stations across markets (Fisher, 2003). Such concentration of economic, cultural and political power in a decreasing number of media giants worries many observers (Bagdikian, 2000; Compaine and Gomery, 2000; McChesney, 1999).

The impetus for newsroom convergence comes in large part from this deregulatory economic trend, but the term is not a synonym for media consolidation. Rather, it refers to what happens inside a newsroom, specifically to cooperation among print, television and online journalists to tell a story to as many audience members as possible through a variety of delivery systems (Castaneda, 2003).

Little academic research on convergence has been published to date, though a study of the British Broadcasting Corp.'s transition to multimedia production in the late 1990s did raise concerns about the "superficial nature" of the resulting news products (Cottle and Ashton, 1999: 22). But the trade press has been full of progress reports as well as cautions. "Convergence is a high-stakes game of musical chairs, and the big media players are reserving their seats," writes an *Online Journalism Review* correspondent. "No one can afford to sit this one out" (Anzur, 2002). A former Poynter Institute president disagrees. Even if it goes well, convergence will distract journalists "from that single most important imperative of the craft -- to create an informed society capable of intelligently governing itself. And if it does not go well, I fear it is going to subject journalists to time, resource, craft, and ethical pressures, all of which will be bad for journalists, bad for journalism, and bad for the country" (Haiman, 2001).

Some trade press reports cite specific issues. "Cultural resistance is the biggest hurdle for converging newsrooms," says *Tampa Tribune* Executive Editor Gil Thelen (2002, 16). "For multimedia work to take deep root, journalists from once-competing newsrooms must learn to cooperate and collaborate -- a tall order in our highly individualistic professional mystique." Another issue is just how much one person can be asked to do -- and what sort of product that one person will turn out. "While some multimedia journalists can handle a variety of tasks efficiently and professionally, most will deliver mediocre journalism," predicts one commentator (Stone, 2002). "Quality comes from those journalists who practice a defined job, be it writer, videographer, photographer or editor." Staffing, training and compensation of the additional time and work required for convergence to succeed also are key issues (Outing, 2002; Stevens, 2002).

This study builds on this anecdotal and often contradictory material, particularly in the construction of questionnaire items. However, it takes a more theoretical approach to the topic. The purpose is neither to track the progress of convergence nor to outline its virtues and vices. It is to explore journalists' approaches to managing crucial aspects of change and thus to assess the ongoing diffusion of convergence as a new idea and a new way of doing things.

DIFFUSION OF INNOVATIONS

Diffusion theory is well-known to communications scholars, so a review of its key points should suffice here. Rogers, in his seminal work on the topic, defines diffusion as "the process by which an innovation is communicated through certain channels over time among the members of a social system" (1995, 5). It thus involves four key elements of social change:

* The innovation itself, an idea, practice or object that is perceived as new by those who face a decision about adopting it. Of particular importance here are the perceived characteristics of the innovation, including its relative advantage over whatever it is intended to supersede; its compatibility or consistency with the values, experiences and needs of potential adopters; its perceived complexity; its trialability, or the degree to which it may be tested on a limited basis; and its observability, or the extent to which its results are visible to others within the social system. Of these, only complexity is a negative influence on the likely rate of adoption (Rogers, 1995).

* The communication channel through which the message about an innovation is shared. Interpersonal channels are seen as especially effective in persuading an individual to accept a new idea if the channel links people who are similar in important ways. Most people depend on subjective evaluations by others like themselves who have adopted an innovation -- or not (ibid.).

* Time, which affects the diffusion process in several ways. One involves the amount of time between an individual's first awareness of an innovation and his or her confirmation of an adoption decision. Time also is a measure of the speed with which the innovation is adopted. Finally, the point in time at which a given individual adopts an innovation relative to adoption by others in the social system is important (ibid.). Longitudinal data were not available for this study, and its focus is on individual journalists, so this last aspect of time is most relevant here.

* The social system, which constitutes a boundary within which an innovation diffuses. Norms within a social system define a range of tolerable behavior and serve as a guide or standard for individuals. Some members of the system act as informal opinion leaders, individuals who conform closely to the system's norms and serve as attitudinal or behavioral models for others. Of additional importance here is the concept that decisions about whether to adopt an innovation can be made by an individual acting independently, by a collective of individuals seeking consensus, or by an authority figure mandating adoption within the system as a whole (ibid.).

Diffusion of innovations theory has been widely applied throughout the social sciences, including studies of media audiences and practitioners. Many of those studies have tracked technological change. For example, Lin, Atkin and Jeffres, alone and together, have contributed significantly to the understanding of adoption dynamics for such consumer media as personal computers (Lin, 1998), the Internet (Atkin, Jeffres & Neuendorf, 1998; Jeffres & Atkin, 1996) and multimedia cable television (Lin & Jeffres, 1998). Among newsroom diffusion studies, Garrison's longitudinal investigation (2001a, 2000) of journalists' use of computer technologies as reporting tools has been especially useful. By the late 1990s, he reported, adoption of interactive innovations was nearly complete, with computers entrenched as news-gathering resources (Garrison, 2001b).

Other diffusion studies focusing on media practitioners' reactions to technological change have supported the theory's dimensions. A study of the diffusion of computer-assisted reporting in newspaper newsrooms found complexity to be a key factor and emphasized the importance of peer communication (Maier, 2000). Studies of the diffusion of computers in newsrooms in Michigan (Davenport, Fico & Weinstock, 1996) and Iowa (Niebauer et al., 2000) explored characteristics of innovations and adopters. Several studies in the 1990s looked at the incorporation of pagination systems in both the daily routines of editors and their acceptance of the new page production method as a job skill (Russial, 1995, 1994; Stamm, Underwood & Giffard, 1995).

This study seeks to explore whether and how the theoretical concepts are manifested in journalists' reactions to convergence within their newsrooms. Specifically, it seeks to address the following research questions, each tied to a core aspect of diffusion theory as described above:

RQ1: What do journalists see as the relative advantage, compatibility, complexity, trialability and observability of newsroom convergence?
RQ2: What newsroom communication channels are most important to convergence?
RQ3: What individual characteristics or attitudes suggest that certain journalists will be convergence innovators?
RQ4: What newsroom social structures contribute most significantly to journalists' attitudes about convergence?

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METHODOLOGY

Four converged news organizations were selected as case study subjects, based on information in the trade press and from the American Press Institute, an industry leader in tracking convergence around the country. The researcher sought to visit media outlets of varying market sizes, ownership structures and approaches to convergence, appropriate with a method that deals with the fundamental question of what can be learned from a particular case (Stake, 1994). Such field research is called for when research questions involve learning about, understanding or describing a group of interacting people (Neuman, 1991). After negotiating access with appropriate gatekeepers in each newsroom (Lindlof, 1995), the following news organizations were visited.

*** *The Dallas Morning News*, WFAA-TV (ABC affiliate), TXCN (cable), dallasnews.com**
The *Morning News*, flagship newspaper of the Belo Corp., has a circulation of more than half a million on weekdays and nearly 800,000 on Sundays (Audit Bureau of Circulations, 2003). WFAA-TV is the top-rated station in a market of 2.2 million households, 7th-largest in the nation (Nielsen Media Estimates, 2003). TXCN is a 24-hour statewide cable news network. Dallasnews.com, launched in 1996, provides original content as well as content from the local partners. WFAA and TXCN also have their own associated Web sites.

*** *The Tampa Tribune*, WFLA-TV (NBC affiliate), TBO.com**
Richmond, VA-based Media General Inc. invested $40 million to build The News Center, a 120,000-square-foot "temple of convergence" along the banks of the Hillsborough River (Colon, 2000). The News Center houses the *Tribune*, a 238,000 daily and 314,000 Sunday circulation newspaper (Audit Bureau of Circulations, 2003); WFLA-TV, which serves 1.6 million households in the 13th-largest U.S. market (Nielsen Media Research, 2003); and TBO.com, which provides original content plus material from print and television.

*** *The Sarasota* (FL) *Herald-Tribune*, SNN Channel 6 (cable), heraldtribune.com**
The *Herald-Tribune*, a New York Times Co. paper, has a winter circulation of 116,000 on weekdays and more than 144,000 on Sundays (Audio Bureau of Circulations, 2003), though the numbers dip in the summer. Sarasota is considered part of the Tampa Bay television market, but the city and county also are served by SNN (Six News Now), a 24-hour local cable news operation jointly owned by the *Herald-Tribune* and cable provider Comcast.

*** *The Lawrence* (KS) *Journal-World*, 6News Lawrence (cable), ljworld.com**
These properties are part of the family-owned World Company, started by the current publisher's grandfather in the late 19th century. The *Journal-World* has a daily and Sunday circulation of just under 20,000 (Audit Bureau of Circulations, 2003). 6News Lawrence is a local cable news and entertainment channel. In addition to news-oriented ljworld.com, Web staffers produce KUsports.com, devoted to University of Kansas teams, and lawrence.com, an entertainment site targeted at a relatively young audience.

The researcher spent a week with each of these four partner organizations during January and February 2003, observing newsroom operations, attending news meetings and interviewing journalists about convergence. This non-probability sample combined elements of a convenience sample, appropriate in exploratory studies such as this, and a purposive sample of subjects selected on the basis of specific characteristics (Wimmer and Dominick, 2002). Experiences with convergence were key here, but the desire to include print, TV and online journalists also was important. In all, 120 journalists were interviewed, including newsroom managers, editors, anchors, reporters, columnists, photographers and online content producers.

Journalists also were asked to complete a 54-item questionnaire about convergence. Triangulation of methods, such as this combination of case studies and surveys, helps guard against the danger that research findings will reflect the method of inquiry in potentially misleading ways (Babbie, 2000). Diverse indicators improve measurement (Neuman, 1991). Each journalist was given a questionnaire immediately after his or her interview, with the exception of senior executives outside the focus of this study of newsroom staffers and one bureau reporter interviewed by phone. This approach allowed respondents to complete the questionnaire at their leisure, important because the interviews already took a big chunk out of their workday. The questionnaire, which used a 7-point Likert scale, asked respondents to indicate agreement or disagreement with statements related to the perceived impact of convergence on careers, work routines, public service and the profession of journalism. Room for demographic information and open-ended comments also was provided.

A total of 67 of the 110 journalists who received questionnaires promptly completed and returned them. An e-mail version was sent to non-respondents in mid-March 2003 and again in late March, resulting in 23 more responses. The final response rate was 81.8% of all journalists who received questionnaires; it was 84.5% for newspaper journalists, 75% for television journalists and 85.7% for online journalists. Mean scores for relevant items are provided here.

All journalists were promised confidentiality so that they felt comfortable speaking and completing the questionnaire honestly, and no names are used in this paper. The researcher's institution did not require human subjects board approval for these case studies.

FINDINGS

This section is organized to correspond with the components of diffusion theory outlined above -- the innovation, communication channels, time and social system -- and the four associated research questions. Tables 1 and 2 provide for mean responses to questionnaire statements referred to in the text.

THE INNOVATION

The innovation here is both the idea of convergence and, because the study involves newsrooms where it is under way, the actual process.

Relative advantage

Although they were not universally enthusiastic, most journalists perceived convergence as having a number of advantages relative to the long-standing system in which each news organization is independent and, in the case of the newspaper and television station, competitive.

At a personal level, they agreed that the ability to work in more than one medium is a career booster or at least a savvy insurance policy. "I've got a lot more options now," said a print reporter with considerable on-air time. "I've demonstrated my versatility." Television journalists were especially likely to feel that newspaper "clips" were a major portfolio plus. One journalist in her 30s said the "reality of being a woman in broadcast television" meant she would not always be on the air. But having clips meant she could get another job in journalism and "that makes it really, really, really valuable to me." Journalists generally agreed with the questionnaire statement "working in a converged environment is good for my career," and many cited its benefits in their interviews. Even those firmly entrenched in one medium saw pluses. "Doing live TV really sharpens you," said a print reporter with on-air experience. "You have to think sharply and clearly."

Journalists also said access to expanded resources and expanded avenues for telling stories enhanced the public service value of local media, and agreed with the questionnaire statement "my company is better able to serve our audience because of our decision to converge news operations." "The customer is better served with more information, usually better targeted," as a television reporter wrote on his questionnaire. An online editor cited "touching more lives" by telling a story in "multiple ways to reach multiple audiences." Questionnaire responses also indicated mild agreement with the statement that audience reaction to convergence had been generally positive.

Moreover, journalists overwhelmingly agreed their company was on the right track in seeking to converge newsrooms. "What's great about this place is that they like to take leaps," one online Dallas journalist said. "I agree with the philosophy," she added. "If you hit on something before everyone else does, you're a rock star." In their questionnaire responses, journalists agreed that convergence had given them a "leg up" on their competition, and disagreed with the idea that "convergence has cost this company more than convergence is worth." On the contrary, convergence provides "the ability to reach new audiences, (to) target specific audiences, and to play to each partner's strength," another online journalist wrote on his questionnaire.

Compatibility

The idea of convergence clashes with traditional newsroom values in two major areas: medium-specific culture and professional competition. Of the two, the cultural compatibility issues may be harder to overcome. Many print journalists, in particular, admitted to being appalled when they learned they would be converging with their television counterparts. Journalists expressed mild agreement with the questionnaire statement "integrating different newsroom cultures has been the hardest part about convergence."

The current study revealed concerns of both style, such as the need to wear ironed shirts, and substance, such as differences between the short visual stories of television and the more literary narrative form of print storytelling. Journalists said they chose the medium they did because it suited their interests and talents -- and still does. Several also suggested that having journalists work in a medium to which they feel unsuited is a recipe for mediocrity. "Any time you try to do a million different things, chances are you don't do them all that well," an editor said. However, the questionnaire did not indicate widespread agreement with the idea that convergence produced mediocre journalism, though newspaper journalists were somewhat more likely than either television or online journalists to feel that it did.

Another area of tension over compatibility stems from the disparity in professional skills, particularly in the smaller markets where the newspaper people feel their less-experienced television counterparts "need to be spoon-fed a lot of times." In the bigger markets, newspaper journalists also were likely to see themselves as giving more than they got. "They don't do a damned thing for the newspaper," said one. "It has to go both ways. Otherwise, you're not converged." Overall, journalists disagreed with the proposition that the effort necessary to make convergence work was shared equitably throughout the organization.

Salary equity issues also are a source of incompatibility -- and irritation. In larger markets, many TV journalists earn more than those at the newspaper and have agent-negotiated contracts. In smaller markets, cable journalists are at the bottom of the pay scale. One editor said that when his cable counterpart has stacks of resumes from people willing to work for free, he finds it hard to hold cable reporters to the same standards he expects of a better-paid, more-experienced print person.

However, there were indications that cultural compatibility problems are not permanent. A number of journalists said that anticipated problems had either not materialized or vanished with the realization that what people in other media did was real work. "It gave me a lot more respect for television reporters," a newspaper reporter said. "I had always sort of dismissed them as hair spray, bow ties, vapid airheads." In fact, not a single journalist who completed the questionnaire disagreed with the statement "I enjoy working with people who have professional strengths different from my own." Most also agreed that they had gained respect for journalists in other parts of the news organization as a result of convergence. "It's been good for us to break out of the little print world we existed in. That bubble is self-defining and self-limiting," said one newspaper editor. "It's been good to get some of that arrogance shaken out of us."

A second challenge to compatibility involves competition. "Reporters are competitive by nature. In that sense, it's a hard psychological barrier," a veteran television journalist explained, adding that he "grew up" seeing as competitors the print reporters whom he now is asked to regard as colleagues. Intellectually, journalists may understand and even appreciate the logic of convergence, but many are still uncomfortable about sharing ideas, information or sources. "Sharing info with irresponsible TV reporters who can't keep a damn secret" can be a major challenge, as a print reporter wrote on his questionnaire. The quantitative results underscored ambivalence with the statement "there is a great deal of cooperation among people working in our converged newsroom."

Although the strongest antagonism was between newspaper and television journalists, competition also was a factor in acceptance of the online journalists. Of particular concern was that by putting a story on the Web site, a reporter both tipped off outside competitors and in essence "scooped" himself or herself. That said, this study also suggested that concern is being mitigated as time goes on. "We're reporters. It doesn't matter what platform we're a reporter for," one journalist said. "It's a different place to put your reporting." The questionnaire revealed mild disagreement with the statement "The fact that we now are continually 'scooping ourselves' bothers me," with newspaper journalists -- whose core product comes out once a day -- expressing the most concern.

Complexity

Here, too, the innovation of convergence faces challenges, but this study suggests the passage of time and increased familiarity with the various media formats is reducing whatever generalized fear still exists. Indeed, many of those journalists who have been the first to produce stories across media emphasize that what one described as "massive insecurities" are overblown. "I spent a lot of time convincing people it's not that hard," one converged reporter said.

Universally, though, they add that hard or not, producing products for other media is time-consuming -- more time-consuming than they believe their bosses realize. Time management becomes a source of considerable stress for journalists such as the reporter who confessed feeling stretched to the point of a nervous breakdown on days when he had to produce both print and cable stories. For many of these journalists, the demands of their primary medium have not been lessened as new demands for "converged" content have increased.

A related concern is that the time required to gather material for a different medium is time that could be better spent in other ways. One reporter said television duties mean he no longer has time to wander around City Hall, talking to people or just seeing what's tacked up on the wall. "You never know about the lost opportunities that could make a story better," a colleague agreed.

Added to these pressures is a perception among journalists that they received inadequate training for work in a different medium, if indeed they received any training at all. Newspaper journalists wanted training with production and delivery of television content. Television journalists wanted help with writing. Questionnaire responses indicated most journalists felt they had not received appropriate training for the transition to a converged news environment.

Notably, journalists did not express a great deal of concern about technology per se -- that is, they were not generally intimidated by the tools needed to create content in different formats and felt that given just a little guidance and explanation, they could master them. On the questionnaire, most denied being frustrated by the technological aspects of convergence. In their interviews, journalists expressed the belief that they could readily master the necessary technology if only management would give them help in doing so -- and free up time for them to learn.

Trialability

Lack of training obviously limits the trialability of full convergence by individual journalists. But more broadly, all these newsrooms are ongoing trials of convergence. Although some journalists are sharing information or even producing content across platforms, the majority in the larger markets are watching and waiting to see what happens next.

Among newsrooms in this study, the larger the market, the fewer people were actually trying out convergence. In Dallas, where the term "synergy" was widely used instead, journalists were being asked mainly to share information rather than produce content for the other media products. A few newspaper journalists had done stand-ups for the cable news channel, and even fewer had appeared on a WFAA newscast; cooperation with dallasnews.com also was spotty. In contrast, most of the journalists in Lawrence, by far the smallest of the four markets here, were at least dabbling in cross-media content production, though there, too, the degree of participation varied. Overall, many journalists in this study seemed quite comfortable sitting out the dance. "Among the news reporters, it's really still a pretty unusual thing," one reporter in a larger market said.

In general, the degree of trialability of convergence in these newsrooms seems high -- perhaps higher than management, hoping the entire newsroom would jump at the opportunity, would like. Diffusion theory, however, suggests that watching and waiting is not only a typical strategy but also an effective one if an innovation is ultimately to succeed -- if, of course, results of the trial are positive in ways that potential adopters find meaningful.

Observability

Market size also affects observability. The larger the market among these four, the more physically distant journalists were from cross-media counterparts and the harder it was to observe colleagues in action. In Dallas, the newspaper, cable and network newsrooms are in separate buildings; though a few Web staffers work in the WFAA or print newsroom, most are on a separate floor of the *Morning News* building. Everyone in Tampa is in the News Center, but the print staff is on the third floor while television and online staffs are on the second; an atrium creates open space between floors. In Sarasota, the cable unit occupies a corner of the newspaper newsroom, with the online desk a few feet away. Only in Lawrence do print, cable and some online staffers work alongside one another, with desks arranged by content area rather than medium.

But while it can be difficult to "see" cross-media convergence taking place, it is easy to observe a face on television or a byline in the newspaper. Newspaper reporters are learning what it is like to be semi-famous: "It's cool to have people recognize you on the street," said one. Television journalists rejoice in actually getting a compliment from the print side. In Dallas, an award-winning WFAA reporter keeps pinned to his cubicle wall a hand-written note from the *Morning News* managing editor commending him for "kick-ass journalism" on a major story. Recognition from the profession, such as prizes, was especially meaningful for television and online journalists -- especially when the prizes were from print-oriented organizations. An investigative television reporter talked with pride of a Society of Professional Journalists award for his front-page newspaper piece about an issue he had covered for the station. "After all these years," he said, "I've finally established that I'm not a second-class journalist."

One final aspect of observability was more problematic. Journalists trained to "follow the money" are well aware of whether colleagues are being rewarded financially for contributions to convergence. For the most part, they are not. Management says convergence is simply part of the job now -- though "thank yous" are occasionally forthcoming, such as a monthly award to one Dallas journalist "fighting the good synergy fight" or a $50 amazon.com gift certificate for Sarasota reporters. Journalists in Lawrence got "a little round of raises" for their convergence efforts last year. In Tampa, most reporters felt strongly that they were being asked to do a lot more work for little or no extra pay. The impact on morale -- and on openness to the idea of convergence -- was striking. "It's like throwing an extra 10 percent workload on you without giving extra compensation," said one reporter. "I'm like a duck. I'm already paddling as fast as I can." "I wish it paid something beyond skill building and experience and job security. Money would be nice," another Tampa reporter wrote on his questionnaire. "Leaves us feeling a bit used now and then."

In summary, and in response to RQ1, convergence shows a range of attributes that would suggest its ultimate successful diffusion -- and others that tend in the opposite direction. Though most journalists acknowledge and even appreciate its relative advantages, their comments and survey responses indicate concerns with compatibility, complexity, trialability and observability. Still, their overall view was generally favorable, judging by both their interviews and positive responses to such questionnaire statements as "overall, converged newsrooms are a good idea" and "convergence will prove to be a successful editorial strategy for the news industry as a whole."

COMMUNICATION CHANNELS

Diffusion theory suggests that in deciding whether to adopt an innovation, most people depend mainly on subjective evaluations by others like themselves (Rogers, 1995). The current study supports this idea in the context of the successful diffusion of convergence, in several ways.

The first is the virtually universal expression of the belief that convergence works best as a one-to-one process -- that the relationships necessary for people with different skills and backgrounds to not only work together but trust one another can be developed only through interpersonal communication and lots of it. Relationships develop when journalists sit "elbow to elbow," one broadcast news manager said. "Proximity breeds collegiality, not contempt." Several journalists compared convergence to a marriage; in Tampa, the negotiations prior to convergence were commonly referred to as the "pre-nups." Journalists emphasized the need for "commitment and trust" among participants -- and the time to develop it. You "have to work at it, understand each other's idiosyncrasies, go from there," said a television reporter. "It's a marriage of convenience."

This is particularly striking in light of the fact that in all these markets, the initial impetus for convergence has come from management. Journalists in all four markets expressed the clear opinion that it was something their bosses and their bosses' bosses decided they wanted to do -- and that the change was not contestable. At the same time, there was a strong sense, among all levels of the newsroom organization, that a top-down approach to adoption, in which managers simply tell staffers what to do, would be a disaster. Instead, the process must take place "at a molecular level," as a news manager put it. So upper management has positioned convergence as an unavoidable part of the way the news business will be done, but has largely avoided mandating how the transition will take place at an individual level. The strategy seems successful; journalists generally disagreed with the questionnaire statement "I feel pressured to cooperate in our convergence efforts even though I don't really want to."

There are drawbacks to this approach. It becomes relatively simple to ignore the whole thing, particularly in larger organizations, as described above. It also leaves room for a lot of ambiguity. The newspaper reporter who takes 10 seconds to e-mail a source's phone number to a television journalist and the television reporter who takes five hours to craft a newspaper piece both are contributing to convergence, but clearly the amount of effort is different. And some people want stronger leadership. "You've got people on nine different pages," one reporter said. "Overall, you do need someone inspirational" to lead convergence efforts. Still, the strategy of encouraging convergence while letting news workers use interpersonal communication channels to sort out the details for making it work is in line with what diffusion theory suggests as a good approach.

In summary, and in response to RQ2, the theorized importance of interpersonal communication channels is supported here, with management leaving it largely to individual journalists to work out the convergence details. The role of opinion leaders within the newsrooms, also relevant here, is discussed under "Social Systems" below.

TIME

Convergence is a relatively new experiment, and the current study is not a longitudinal one. Neither the innovation-decision process, through which an individual passes from first knowledge of an innovation to confirmation of an adoption decision, nor the rate of adoption within the social system (Rogers, 1995) can be adequately assessed here. However, it is possible to identify a few characteristics of individual journalists within these newsrooms that would suggest their fit with adopter categories identified by diffusion theory, the third component of the time dimension. Those categories are innovator, early adopter, early majority, late majority and laggard.

The online staffs were particularly likely to include innovators, individuals who are interested in doing something new largely because it is new. "We're all in the mode of `let's try this,'" one online manager said of herself and her staff. But the more salient concerns of journalists in this study were more likely to relate to the interactions between newspaper and television journalists, with the Web seen as a relatively unobtrusive and unobjectionable addition. As diffusion theory would predict, true innovators among the newspaper and television staff seemed to be fairly few. Of course, the researcher could not conduct a census of all the journalists in these newsrooms, nor was a random sample drawn. But in talking with more than 90 print and television journalists, only a sprinkling of comments suggested attitudes likely to be held by innovators.

Because of a desire to talk with those journalists who had experience with convergence, this study over-sampled early adopters. Comments from convergence participants suggest several early adopter characteristics to a striking degree. For example, earlier adopters exhibit a greater degree of upward mobility and have higher aspirations than later adopters (Rogers, 1995), and converged journalists interviewed here almost universally cited their participation as a good career move. "If I was to update my resume tomorrow, it would definitely be a prominent part of my experience," said one print reporter. "CNN might call!" Earlier adopters also are likely to be less dogmatic than later adopters and to have a more favorable attitude about change; converged journalists stressed the need for flexibility and enthusiasm for new ideas. "You'll never get bored," one such journalist wrote. "You can let your imagination take you to new heights."

Most of the rest of the journalists interviewed here seemed to fall, as diffusion theory would predict, into the early and late majority categories. Again, because the study was not longitudinal, this is a tentative finding. But the comments of many journalists who were still on the sidelines suggested varying amounts of deliberation and skepticism about convergence, a weighing of its pros and cons and uncertainty about its advisability. One print reporter summed up the situation. The message from management, he said, involves long-term payoffs and declarations that convergence is "the wave of the future." But the short-term payoffs are less obvious: "Doing new things creates headaches and work for the people who have to make them happen."

Few of the journalists interviewed here seemed to be true laggards, though they may simply have been hesitant to tell a note-taking outsider of their resistance to company policy. Only a handful, particularly among the newspaper staffs, expressed a deep suspicion about convergence and even flatly asserted that they wanted no part of it. "I went to j-school to be a journalist, not to be a multimedia person, not to be a TV person, not to multitask," said one newspaper reporter. "I have never liked TV journalism. I've always thought it's abhorrent, a subspecies. … To be told mid-life you have to morph into a TV person doesn't set well with me."

In general, and again emphasizing the tentative nature of any conclusions in this area, these interviews suggest the outlines of a theoretically predictable adopter curve within the newsrooms studied here. Most journalists are weighing the pros and cons, perhaps participating on a small scale while they do. A smaller group already has dived right in, but a few plan to stay out of the pool as long as they can. In response to RQ3, characteristics suggestive of relatively early adoption include perception of convergence as offering an avenue for upward professional mobility and a generally favorable attitude toward change.

SOCIAL SYSTEM

Newsrooms are complex social structures with distinct cultures, routines and norms. More than half a century of research into the sociology of news work details how the newsroom as a social system shapes what journalists do (Schudson, 2003; Tuchman, 1978; Breed, 1955). In the present study, the clash of cultures among newspaper, television and online newsrooms was a common theme, covered above in the discussion of compatibility. Several other aspects of the social system relevant to the diffusion of the innovation of convergence are noteworthy here.

Like other professionals, individual journalists exercise considerable autonomy over their day-to-day activities (Daniels, 1973). Yet newspaper newsrooms, in particular, are hierarchical in nature: Each reporter has a line editor, each line editor has another editor and so on up to the publisher. Convergence introduces "dotted-line relationships," as one journalist called them. Others put it more bluntly. "All of a sudden, I have two different bosses," said a television journalist, adding the fact that those bosses don't necessarily communicate well with one another adds to the frustration. These new relationships cause confusion and stress for some journalists, and the questionnaire indicated many felt the new chain of command was unclear.

Indeed, confusion seemed inherent in management structures at the larger organizations, where no one has authority to make a decision should the heads of individual news outlets disagree. In contrast, news executives in Sarasota and Lawrence have stalemate-breaking power. In Sarasota, the *Herald-Tribune* executive editor also oversees the broadcast and online operations; in Lawrence, a "multimedia managing editor" is a "half-step above" the top print, cable and online managers.

The relationships between employees and managers also are important in connection with theoretical concerns with the types of innovation decisions -- optional, collective and authority -- and with differences between the initiation and implementation phases of innovation (Rogers, 1995). Again, the idea of convergence came from management in all these organization, and initiating the process was clearly an authority decision. But newsroom managers have sought to foster an environment in which journalists make optional and/or collective innovation-decisions to implement convergence, using the interpersonal communication channels already discussed. While some are impatient -- "You either change the people, or you change the people," one online manager said, more than once -- most seem willing to wait for the transition to play out. "It's easy to say `Do it, goddammit,' but that doesn't work," said one print manager. The implementation processes of restructuring to accommodate convergence, then clearing away uncertainty surrounding it, are far from over even in these pioneering newsrooms. "If someone had written an instruction manual, this would be so much easier!" one editor exclaimed.

Nor are journalists necessarily convinced by management pronouncements that convergence is driven by a desire "to put the best news out there in the streets." Trained skeptics, they are skeptical of their employers' motives -- even when they personally think convergence is a good idea. They agree only mildly with the statement "my company converged newsrooms in order to do a better job providing information to various audiences." Instead, many suspect an economic impetus. As one print reporter put it, "It seems to me that it's a lot about converging costs." Despite a lack of evidence of convergence-inspired layoffs and repeated assurances of good intentions from management, journalists' disagreement with the statement "my company has converged its newsrooms primarily as a way to eventually reduce staffing" is tentative.

The final stage of diffusion, at which the innovation has been fully incorporated into the routine activities of the organization (Rogers, 1995), has not been attained at any of the newsrooms studied here. But the smaller markets seem closer, as a cable journalist wrote, to "truly advancing from being pioneers into homesteaders" in the land of convergence. Further study is needed to determine why that is so, but several possibilities emerged. One, of course, is that there are fewer folks to convince -- and with greater turnover, fewer entrenched habits. Smaller operations also are more easily able to afford the cost of creating physical proximity. Sarasota folded cable operations into its print newsroom as far back as 1995, a relative longevity that contributes to acceptance there. In Lawrence, neighboring desks seem to help. "I'm having a lot more fun now than in the old newsroom," one print reporter said. If nothing else, it's nice to have "a larger group of people to bounce ideas off of and bitch to."

The trust-building benefits of physical proximity seem to extend outside the newsroom and into the corporate realm. Every journalist in Lawrence personally knows the owner, who frequently wanders into the newsroom from his office around the corner, and even the crustiest veteran reporter referred to him as "VERY cool." At the other end of the size scale, Dallas journalists still see themselves as working for a local company -- albeit a huge and wealthy one -- with deep and well-respected roots in the community. In contrast, Tampa journalists were unflattering in their remarks about Media General, headquartered 800 miles away in Virginia. And the mean questionnaire scores of Tampa journalists as a group were more negative on nearly every item than those of journalists in the other markets.

Finally, if the success of convergence rests on interpersonal relationships and communication among newsroom personnel, exactly who is "converging" -- and who is not -- becomes extremely important. This study is too small-scale and too short-term to allow a reliable assessment of whether the early adopters of convergence are also opinion leaders within their newsroom social system. But perhaps a few observations are appropriate.

First, both the interview and questionnaire data indicate that online journalists are among the most enthusiastic about convergence. This is hardly surprising; by definition, these journalists are "converged" in the sense that they work with content produced by both the newspaper and television staffs. But while the online journalists may be innovators, they are unlikely to be opinion leaders for the news organization as a whole because other journalists are not likely to look up to them. Online journalists are generally young and inexperienced relative to their print and television counterparts. Of the 21 online journalists who completed a questionnaire and provided their age, the median was 31; most non-management staffers were in their 20s. The median age was in the low 40s for both newspaper and television journalists in this study. Online journalists had an average of 12.5 years in the news business (including the managers), compared with about 19 for newspapers and 16 for television.

The more likely opinion leaders, then, are newspaper or television journalists. In each of the news organizations visited, the researcher interviewed journalists who were participating in convergence efforts, as well as those who were not. Participants were likely candidates for the role of opinion leaders, at least according to the theoretical criteria. Most were journalists in their 30s and 40s -- neither the most junior nor the most senior in their newsrooms -- with relative longevity in their jobs, making frequent and visible contributions to their core products.

In summary, complexities of the social systems in the various news organizations seemed to contribute in various ways to the likely degree of success for convergence, but full implementation of the idea has not yet been achieved in these newsrooms. In response to RQ4, convergence seems to be aided by a physical structure that facilitates proximity to cross-media colleagues and a management structure that includes local authority and in-market presence. Opinion leaders seem to be playing a role, though more in-depth and long-term exploration is needed.

SUMMARY and DISCUSSION

This paper has problematized newsroom convergence through the application of diffusion of innovations theory. Using the four key components of diffusion theory as the basis for its research questions, its findings suggests:

* **RQ1:** Journalists see numerous advantages of convergence over traditional newsrooms, including factors involving external competition, public service and personal career development. But they have concerns about the compatibility of different newsroom cultures and approaches to news; a lack of training to alleviate fears about perceived complexities of new formats; and an absence of observable, tangible rewards for their "converged" colleagues, among other things.

* **RQ2:** Interpersonal communication channels are of primary importance in the diffusion of convergence within these newsrooms.

* **RQ3:** Characteristics suggestive of relatively early adoption of convergence among journalists include a perception that it offers an avenue for upward professional mobility and a generally favorable attitude toward change.

* **RQ4:** Cultural clashes remain a major stumbling block to convergence and may well be a hallmark of the process in every newsroom. Physical and management structures can be put in place to facilitate convergence, but their application is neither easy nor universal. Although more research is needed, opinion leaders appear to be emerging from among the reporting staffs.

Ultimately, the question is whether convergence will succeed -- not just in these particular newsrooms but also throughout the news industry. The use of a case study methodology means the findings cannot be generalized, but the four newsrooms studied here are among those being closely watched by the industry. As more newspaper and television stations join forces, complemented by their online affiliates, the pressure on competitors will increase. The results are already apparent in Tampa Bay, for instance, where the rival *St. Petersburg Times* recently entered a partnership with the local CBS affiliate -- which it does not own and with which it has no other formal relationship.

Although convergence faces numerous challenges and ongoing modification to particular market needs and newsroom "personalities," application of diffusion theory to the diverse cases studied here suggests probable success. While the innovation is not now fully compatible with newsroom perceptions and norms, the challenges do not seem insurmountable. The interpersonal communication channels necessary for acceptance of convergence are in place and operating. The pattern of adoption within these newsrooms suggests a normal curve, insofar as such a pattern can be determined by this "snapshot in time" study. Newsroom social -- and physical -- structures are difficult to change, and the implementation phase of convergence is likely to continue to be slower than some executives who have invested heavily in it might like.

But this study suggests that while many journalists have problems with the current practice of convergence, far fewer have problems with the idea or principle itself. That is, their objections, while serious and important, are to things that can be addressed through revised management policies, structural changes or, over time, increased comfort with the people and tasks associated with convergence.

The passage of time also will make the consequences of the diffusion of convergence apparent -- consequences that are desirable and undesirable, anticipated and unanticipated. Some of these already have surfaced. Many journalists say they have gained respect for people in other parts of the news operation, surely a desirable consequence. Less desirable is the perception, also voiced by many, that convergence is a way for management to take advantage of employees by demanding more work without more pay. There are plenty of other examples, many of them detailed above.

Convergence will yield countless opportunities for ongoing research as today's converged newsrooms work out the kinks, tomorrow's new hires come on board, and additional journalists in additional newsrooms mold the process in new directions. As this study indicates, there are many different ways to converge, and models will evolve to suit particular organizations and markets. Longitudinal studies are especially needed to better understand the challenges raised by convergence and to allow both academy and industry to address those challenges over time.

In the meantime, this study suggests that journalists are finding ways to make convergence workable and potentially even rewarding. To close with an anecdote: News executives in Sarasota offer visitors a packet containing clips and press releases related to their convergence efforts over the years. The packet includes a 1995 newspaper column headlined "Klingons Coming," in which the author compares himself to Star Trek's Captain Kirk, suddenly ordered to make peace with aliens who will be, among other things, "elbowing us out of the way to do their makeup at our restroom mirrors." And it isn't enough, he writes, that we will have to work with the enemy. "We are supposed to become them! Well, it will never happen to me," he concludes. Flash forward eight years, and he says things turned out pretty much the way they did on Star Trek: The Klingons became allies, radically different styles and all.

Table 1: Results by medium

This table shows the mean score (with the standard deviation in parentheses below each score) for all journalists who completed and returned a questionnaire, as well as for journalists whose primary affiliation was with the indicated medium. The statements are part of a 54-item questionnaire given to all interviewees, using a 7-point Likert scale in which "1" corresponds to "strongly disagree", "4" corresponds to "neutral", and "7" corresponds to "strongly agree."

Questionnaire Statement	All Journalists (n = 90)	Newspaper Journalists[a] (n = 49)	Online Journalists (n = 23)	Television Journalists[b] (n = 18)
Working in a converged newsroom environment is good for my career.	5.86 (1.40)	5.51 (1.54)	6.48 (.90)	6.00 (1.28)
My company is better able to serve our audience because of our decision to converge news operations.	5.61 (1.45)	5.45 (1.54)	6.17 (.83)	5.33 (1.68)
The reaction of our audience to our converged news operation generally has been positive.	5.02 (1.27)	4.74 (1.27)	5.61 (1.27)	5.00 (1.03)
Converging our newsrooms has given us a leg up on the competition here in our market.	5.48 (1.60)	5.01 (1.78)	6.04 (1.15)	6.06 (1.18)
Convergence has cost this company more than convergence is worth.	2.62 (1.57)	3.11 (1.63)	1.65 (.83)	2.56 (1.63)
Integrating different newsroom cultures has been the hardest part about convergence.	5.19 (1.69)	5.08 (1.72)	5.39 (1.59)	5.22 (1.80)
Asking journalists to work across converged media results in mediocre journalism.	2.93 (1.63)	3.27 (1.67)	2.22 (1.59)	2.94 (1.30)
The effort necessary to make convergence work is shared equitably throughout our news operation.	2.91 (1.60)	2.69 (1.57)	3.09 (1.56)	3.29 (1.72)
I enjoy working with people who have professional strengths different from my own.	6.48 (.75)	6.61 (.64)	6.22 (.85)	6.44 (.86)
I have gained respect for the people in other parts of the news operation as a result of convergence.	5.71 (1.46)	5.45 (1.70)	5.91 (1.16)	6.17 (.92)
There is a great deal of cooperation among people working in our converged newsroom.	4.23 (1.38)	4.15 (1.59)	4.35 (.93)	4.28 (1.27)
The fact that we now are continually "scooping ourselves" bothers me.	3.07 (1.93)	3.66 (2.00)	2.04 (1.46)	2.81 (1.72)
My company provided appropriate training for me to make the transition to work in a converged newsroom.	3.11 (1.66)	2.97 (1.67)	3.50 (1.71)	3.00 (1.57)
The technological aspects of convergence frustrate me.	3.14 (1.80)	3.29 (1.89)	3.22 (1.83)	2.67 (1.50)
Overall, converged newsrooms are a good idea.	5.66 (1.44)	5.39 (1.59)	6.22 (1.17)	5.67 (1.14)
Convergence will prove to be a successful editorial strategy for the news industry as a whole.	5.39 (1.47)	5.25 (1.49)	6.09 (1.47)	4.89 (1.08)
I feel pressured to cooperate in our convergence efforts even though I don't really want to.	2.51 (1.78)	2.98 (1.94)	1.65 (1.47)	2.33 (1.24)
The "chain of command" in our converged newsroom is clear.	3.48 (1.66)	3.34 (1.90)	4.04 (1.11)	3.17 (1.47)
My company converged newsrooms in order to do a better job providing information to various audiences.	4.98 (1.78)	4.72 (1.92)	5.48 (1.47)	5.00 (1.71)
My company's motivation for convergence is economic rather than journalistic.	4.69 (1.84)	5.18 (1.61)	3.30 (1.66)	5.25 (1.77)
My company has converged its newsrooms primarily as a way to eventually reduce staffing.	3.51 (1.91)	3.43 (1.93)	3.26 (1.66)	4.13 (2.19)

a) One journalist who splits his time between print and television is included with the newspaper respondents, the medium in which he has the most longevity.

b) One journalist who serves all three media as a multimedia coordinator is included with the television respondents because of his physical location in the news organization.

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Table 2: Results by market

This table shows the mean score (with the standard deviation in parentheses below each score) for all journalists who completed and returned a questionnaire, as well as for journalists by market. The statements are part of a 54-item questionnaire given to all interviewees, using a 7-point Likert scale in which "1" corresponds to "strongly disagree", "4" corresponds to "neutral" and "7" corresponds to "strongly agree."

Questionnaire Statement	All Journalists (n = 90)	Dallas (n = 26)	Tampa (n= 22)	Sarasota (N = 23)	Lawrence (N = 19)
Working in a converged newsroom environment is good for my career.	5.86 (1.40)	5.89 (1.14)	5.50 (1.79)	6.09 (1.08)	5.95 (1.58)
My company is better able to serve our audience because of our decision to converge news operations.	5.61 (1.45)	5.69 (1.54)	5.23 (1.77)	5.91 (1.08)	5.58 (1.30)
The reaction of our audience to our converged news operation generally has been positive.	5.02 (1.27)	5.12 (1.20)	4.64 (1.18)	5.35 (1.15)	4.92 (1.53)
Converging our newsrooms has given us a leg up on the competition here in our market.	5.48 (1.60)	5.92 (1.22)	5.14 (2.01)	5.70 (1.61)	4.97 (1.42)
Convergence has cost this company more than convergence is worth.	2.62 (1.57)	2.32 (1.44)	3.14 (1.93)	2.44 (1.53)	2.65 (1.27)
Integrating different newsroom cultures has been the hardest part about convergence.	5.19 (1.69)	5.58 (1.63)	5.68 (1.32)	5.17 (1.83)	4.11 (1.59)
Asking journalists to work across converged media results in mediocre journalism.	2.93 (1.63)	2.77 (1.63)	2.73 (1.45)	3.09 (1.81)	3.21 (1.65)
The effort necessary to make convergence work is shared equitably throughout our news operation.	2.91 (1.60)	2.92 (1.38)	2.50 (1.50)	3.04 (2.08)	3.22 (1.31)
I enjoy working with people who have professional strengths different from my own.	6.48 (.75)	6.27 (.83)	6.36 (.85)	6.61 (.66)	6.74 (.56)
I have gained respect for the people in other parts of the news operation as a result of convergence.	5.71 (1.46)	5.81 (1.27)	5.41 (1.82)	5.61 (1.41)	6.05 (1.35)
There is a great deal of cooperation among people working in our converged newsroom.	4.23 (1.38)	4.23 (1.24)	3.82 (1.56)	4.04 (1.26)	4.92 (1.29)
The fact that we now are continually "scooping ourselves" bothers me.	3.07 (1.93)	3.12 (2.13)	3.52 (2.04)	2.57 (1.70)	3.12 (1.80)
My company provided appropriate training for me to make the transition to work in a converged newsroom.	3.11 (1.66)	3.19 (1.79)	3.73 (1.93)	2.68 (1.36)	2.75 (1.26)
The technological aspects of convergence frustrate me.	3.14 (1.80)	2.96 (1.48)	3.00 (1.77)	4.13 (2.14)	2.37 (1.34)
Overall, converged newsrooms are a good idea.	5.66 (1.44)	5.54 (1.61)	5.32 (1.49)	6.13 (1.14)	5.63 (1.42)
Convergence will prove to be a successful editorial strategy for the news industry as a whole.	5.39 (1.47)	5.69 (1.44)	5.05 (1.46)	5.48 (1.53)	5.26 (1.45)
I feel pressured to cooperate in our convergence efforts even though I don't really want to.	2.51 (1.78)	2.40 (1.94)	2.68 (1.62)	2.39 (1.95)	2.58 (1.64)
The "chain of command" in our converged newsroom is clear.	3.48 (1.66)	3.50 (1.42)	3.36 (1.89)	4.15 (1.59)	2.79 (1.58)
My company converged newsrooms in order to do a better job providing information to various audiences.	4.98 (1.78)	5.12 (1.83)	4.14 (2.08)	5.17 (1.56)	5.53 (1.33)
My company's motivation for convergence is economic rather than journalistic.	4.69 (1.84)	4.64 (1.89)	5.52 (1.47)	4.74 (1.81)	3.68 (1.83)
My company has converged its newsrooms primarily as a way to eventually reduce staffing.	3.51 (1.91)	3.92 (1.78)	4.10 (2.12)	2.61 (1.62)	3.41 (1.91)

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Audience Concentration in the Media: Cross-media Comparisons and the Introduction of the Uncertainty Measure

A Paper Presented to the Media Management and Economics Division
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Abstract

This article examined how audiences respond to item abundance by analyzing audience concentration of magazines, cable television networks, radio networks, and broadcast television networks. The primary finding is that there is a positive relationship between item abundance and the degree of audience concentration measured by uncertainty ratios. As item options in newer media increase, the finding is important for two reasons: diversity issues related to audience behavior and diversity policy issues. The efforts to promote item diversity by policy makers can be undermined by the result that audiences concentrate more highly on a smaller portion of items with an increase in item options.

Introduction

The rapid development in the media technology area has caused a dramatic increase in the number of items available to audiences. Item choice in a multi-channel media environment has been studied frequently (e.g., Heeter, 1985; Webster & Lin, 2002; Youn, 1994). As the number of television channels increased to 30-40, audiences needed to use TV Guide, which could be useful in selecting programs. But, when the number of channels exceeded 100, searching a television guidebook for interesting programs became a cumbersome and time-consuming task. Because the future media are expected to offer many more items, a guidebook may not be helpful. Accordingly, audiences cannot have enough information about every available item when choosing an item. People might prefer a well-known program to a new interesting program when watching television.

This study examines the hypothesis that audience concentration is one indicator of audiences' responses to such a media environment. Audience concentration is defined as the extent to which audience shares are unequally distributed across channels or items[1] of content within a given medium at particular points in time (Yim, 2002). The idea of audience concentration might not be agreeable to those who argue that outlet diversity results in format diversity, and, in turn, format diversity contributes to maximizing audience satisfaction. Outlet diversity and format diversity have been evaluated positively because these two kinds of diversity are believed by policy makers to expand audiences' item choice. If audiences concentrate more highly on a small number of items, even when they have many choices, policies and arguments for outlet diversity and format diversity would be unjustified. This study examines the relationship between the number of available items within a medium and audience concentration by comparing the extent of audience concentration across media with the different number of items. There is evidence across a variety of studies that audience concentration exists in most forms of media. Very little research is available, however, on cross-media comparisons of audience concentration. Those that are available have used different measures of concentration. This study will contribute to the literature on audience behavior by offering a wide ranging and systematic comparison of this particular phenomenon.

To make the comparisons this study introduces the uncertainty ratio as a measure of audience concentration, and argues for its superiority in comparison with other inequality measures used to gauge media concentration. It presents methodological arguments and a comparative analysis to show how the information-theoretic uncertainty measure applies to media concentration studies and in which points it is preferable to commonly used measures of media concentration.

The Notion of Audience Concentration

Audience concentration was employed by Yim (2002) to differentiate media concentration gauged by audience-based measures from economic concentration based on financial data. More attention has been given to economic concentration (e.g., Albarran & Dimmick, 1996; Compaine & Gomery, 2000; De Vany & Wall, 1999; Ekelund & Ford, 2000; Greco, 1999) and format concentration (e.g., Compaine & Gomery, 2000; Glasser, 1984; Greenberg & Barnett, 1971; Hellman & Soramaki, 1985; Levin, 1971) than to audience concentration (e.g., Napoli, 1999; Webster & Lin, 2002). Inattention to audience concentration is unfortunate. In many ways it is more informative than economic or format concentration. Consider a world in which 100 channels are available. Suppose that each channel is owned by a separate firm and that each offers a distinct program format. Initially, it appears that this world is characterized by both diversity of ownership and diversity of content. But, imagine that one channel dominates 99% of all viewing. By introducing audience behavior into the equation it becomes obvious that one channel, one owner, and one type of content has a monopoly on the marketplace of ideas. Moreover, that one owner may have 99% of market revenues as well. Although this example is extreme and oversimplified, it highlights the importance of studying audience concentration. As was the case in our hypothetical world, introducing audience behavior provides insight into the nature of media diversity and economic power.

Similar notions have been mentioned by others. Napoli (1999) introduced the construct, 'exposure diversity', referring to how many different items audiences select. This idea is distinguished from source diversity and content diversity (McQuail, 1992; Napoli, 1999, 2001). In other words, audiences can be concentrated on some particular items regardless of source or content diversity. Some studies of economic concentration considered audience-based measures as substitutes for economic measures, such as revenues or the number of outlets owned by a single owner (e.g., Chan-Olmsted, 1996; Hellman & Soramaki, 1985; Napoli, 1997; Picard, 1988; Waterman, 1991).

There are reasons why audience concentration has not been considered a separate construct. First, studies of media concentration have focused largely on issues of economic power rather than issues of audience behavior. As a result, the phenomenon of audience concentration found in audience-based measures is frequently interpreted in terms of economic power.

Second, because media concentration based on audience-based measures has also been calculated by methods of measuring economic concentration, it might be difficult to distinguish from economic notions. This possibility forms an important rationale for suggesting a new method of measuring audience concentration.

Third, although using financial information is an established method of measuring media concentration, using audience figures as a measure of media concentration remains controversial. The rationale for criticizing audience-based measures of media concentration can be summarized by three points. First, there are margins of errors of audience measurements. Second, audience-based measures do not gauge the diversity or the qualitative aspect of media uses. Finally, it is difficult to compare measures across media or across countries using audience-based measures (Iosifides, 1997; Lange, 1995).

According to Iosifides (1997), media concentration is measured to assess economic power and influence over the audience. In many cases economic power and political/cultural diversity are not separate issues. Financial data, such as revenue and advertising price, are used broadly to assess economic power, and audience figures are used to measure influences or political/cultural diversity. Financial data sometimes assess influence or political/cultural diversity, and audience-based measures are used as a substitute for financial data to assess economic power. The degrees of media concentration based on financial data and audience size, however, are not always consistent as shown in the hypothetical situation above.

Audience Concentration and Diversity

The notion of audience concentration has two implications for media studies. One concerns diversity and the other concerns policy. Because the latter reflects on the former, the two concerns are related.

The extent of audience concentration is not identical across media. Entry of television and radio networks is limited for legal, economic, and technological reasons (Owen & Wildman, 1992), whereas entry of magazines, book titles, and Web sites is relatively less regulated and costs relatively less. Ease of entry increases the channel choices within a media industry (Compaine & Gomery, 2000). Webster and Phalen (1997) asserted that as the number of available channels increases, the proportion of channels that are used decreases. Baseman and Owen (1982) argued that if audiences are concentrated highly, despite numerous alternative sources of media products available, audiences' preferences are distributed unequally.

Aggregated audience concentration results from the tendency of people to construct repertoires at the individual level. It is well established that, when confronted with an abundance of channel choices, people come to use a subset of those channels - a repertoire (Ferguson & Perse, 1993; Heeter, 1985; Webster & Phalen, 1997). Initially, repertoires keep pace with the number of choices, but as abundance grows the size of repertoires reach an asymptote. This simple fact alone does not lead to macro level audience concentration. In fact, if repertoires were constituted randomly across available choices, there would be no concentration. But repertoires are not random. Some items are included in almost everyone's repertoire. In the case of television, almost everyone includes the major broadcast networks (Heeter & Greenberg, 1988). The same phenomenon apparently holds for Web site audiences (Ferguson & Perse, 2000). To the extent that all repertoires tend to include the most popular offerings of a medium, while having a constant number of items, it is reasonable to expect some impact on audience concentration.

Specifically, this study hypothesizes that as the number of channels or items available within a medium increases, the level of audience concentration will increase as well. That is, in abundant media (e.g., books, magazines and Web sites) audiences will be concentrated in a relatively small number of best sellers or top rated items. In less abundant media (e.g., broadcast television) audiences will be more evenly distributed across all the available options.

Audience Concentration and Policy

In addition to contributing to describing audience behavior, describing the phenomenon and identifying the notion of audience concentration affect media policy-making with regard to diversity and concentration (Kubey, et al., 1995; Napoli, 2001). Media policy makers have been concerned continuously with the impact of media concentration on the media industry and on audience welfare. Although media concentration based on financial data was broadly accepted for the purpose of discussing the impact of concentration, audience concentration may be an unfamiliar term to policy makers and scholars. Clearly, audience concentration and economic concentration need to be examined separately. If one media firm controls most items or channels, even though the number of items or channels within a medium has increased, an increase in the number of items or channels does not necessarily reflect an increase in source diversity (Bagdikian, 2000; Blumler & Spicer, 1990; Kubey et al., 1995).

Although an audience study need not always include policy implications, diversity has been an indispensable notion in justifying some media regulations. Regulations related to diversity are justified on the assumption that audiences provided with a diversity of content options consume a diversity of content (Napoli, 2001). This assumption is based on another assumption that individuals must fairly and carefully consider all ideas through a process of rational evaluation (Ingbar, 1984; Napoli, 2001). Availability and use are not synonymous, however (Ferguson, 1993). Suppose that audiences are concentrated on a smaller percentage of items or channels as they have more item choices. Audiences might have their own preference for some specific types of content. If so, the assumptions considered by policy makers to increase the diversity of content options available to audiences may be undermined (Napoli, 2001; Webster & Phalen, 1994). Wober (1994) argued that increasing the availability of certain underrepresented program types can decrease audience consumption of those program types, by showing that news, religious, and general information programs that policy makers would like to promote via their diversity policies is being ignored as content options increase. Increases in content diversity would be essentially meaningless from a policy perspective if the additional content is ignored by the audience (Haddock & Polsby, 1990; Napoli, 2001).

To examine the relationship between item availability and audience concentration, this study raises the following question.

Are audiences concentrated on a smaller portion of items in a more abundant medium?

Measuring a New Concept

To address this question it is necessary to discuss some issues concerning how to compare audience concentration across media. Those issues include the extent to which audiences are distributed evenly across item choices, how audience concentration in more abundant media compares with less abundant media, and how best to study this phenomenon. Such economic inequality measures as concentration ratios (CR4 or CR8), the Herfindahl-Hirschman Index (HHI), and Lorenz Curves have been used in past media studies. The review on the economic inequality measures must explicate why an alternative measure of media concentration (especially audience concentration) is necessary.

Inequality Measures Used in Past Studies

Concentration Ratios (CR4 or CR8)

A concentration ratio is the sum of the market shares of the largest four (CR4) or eight (CR8) firms in a market (Baseman & Owen, 1982; Cowell, 1977; Hay & Morris, 1979). An entry of a large-scale firm affects the concentration ratio, and any change outside the top *n* firms does not affect the concentration ratios (Cowell, 1977). Those characteristics are disadvantages as well as advantages of concentration ratios. Concentration ratios can be useful in understanding effects of top firms, but not in approximating overall concentration patterns. The concentration ratio measures only the concentration on the point chosen (for example, 4 firms or 8 firms), rather than overall concentration patterns. Moreover, this measure does not consider the total number of firms in the industry. CR4 and CR8 are criticized for using an arbitrary cut-off point to determine what percentage of the audience is concentrated in the four or eight channels or items.

Herfindahl-Hirschman Index (HHI)

HHI, an alternative measure of concentration ratios, is the sum of the squares of market shares of all firms in the industry. Because HHI weighs more heavily the market shares of the largest firms, it is sensitive to each firm's relative contribution to the concentration of the market (Baseman & Owen, 1982; Compaine & Gomery, 2000; Cowell, 1977; Hay & Morris, 1979; Waterman, 1991).

Many observers believe that market dominance by one or two firms is more serious than high concentration among four or eight firms. Nevertheless, empirical differences between the HHI and the concentration ratio appear to be minor (Baseman & Owen, 1982). HHI is biased toward a few large firms. HHI cannot reflect small changes effectively because the sum of squared percentages of audience size tend to exaggerate domination by a few big channels.

Lorenz Curves and Gini Coefficients

The Lorenz curve plots cumulative percentages of industry size against cumulative percentages of firms, starting with the smallest. The Lorenz curve expresses concentration as the ratio of the area between the Lorenz curve and a 45° line to the area of the triangle under the 45° line, which is the Gini coefficient, a measure of the relative size of firms. The Gini coefficient has a maximum of 1 and a minimum of 0 (Aitchison & Brown, 1963; Gini, 1936; Hay & Morris, 1979; Lorenz, 1905; Neuman, 1991).

The advantage of this index is that it accounts for all firms in the industry and for the overall concentration pattern of the industry, unlike concentration ratios (Cowell, 1977). Moreover, Lorenz curves make graphical comparison across media possible.

Nevertheless, there are some disadvantages of Lorenz curves. First, the results of the Lorenz curves should be interpreted with consideration of the number of firms within a media industry, because Lorenz curves do not reflect the actual number of firms. Second, if the Lorenz curves of two industries intersect, it is difficult to conclude which industry is more concentrated (Cowell, 1977). The third concern involves the complexity of the sampling distribution of Lorenz curves, and the computational difficulties in directly applying mathematical expressions in the literature to empirical problems (Beach & Davidson, 1983).

An Alternative Measure of Media Concentration: Uncertainty Ratios

This study introduces an alternative method of measuring media concentration by applying an uncertainty measure to media studies. Attneave (1959) and Garner (1962) offered the good introductions to this uncertainty measure. It was derived from the theory of information (e.g., Attneave, 1959; Shannon, 1951), and has been used in psychology, communication engineering, and sociology. The amount of information is determined by the degree to which uncertainty has been reduced. The amount of information concerns how much information has been obtained, not whether or not the information is correct. Uncertainty is the opposite concept of information, although the two concepts yield identical figures. If one can measure uncertainty, one can measure information as the decrease in uncertainty. The uncertainty of a question increases with the number of alternative answers it might have. The idea can be explained by coin-tossing and die-throwing. The probability of obtaining a head by tossing a fair coin is 1/2, and the probability of obtaining 1 by throwing a fair die is 1/6. Therefore, there is less uncertainty about the coin-tossing outcome than about the die-throwing outcome. Nevertheless, the amount of uncertainty in an event is not only a function of the number of possible outcomes of the event. Throwing two dice produces 36 possible outcomes, and throwing three dice produces 216 possible outcomes. That is, one die provides 6 units (= 6^1) of information, two dice provide 36 units (= 6^2) of information, and three dice provide 216 units (= 6^3).

When the probabilities of events are equal, the measure of uncertainty is of the form

$$U(x) = \log_2 k,$$

where U is the measure of uncertainty and *k* is the number of possible outcomes. The choice of base 2 is arbitrary, but the base 2 system is usually used because the binary system is considered to have intuitive advantages over the decimal system (Attneave, 1959; Garner, 1962). When the probabilities of events are equal, uncertainty is maximized.

When the notion of uncertainty is applied to concentration studies, uncertainty can be viewed as the opposite of concentration (Yim, 2002). When all items or channels within a medium have an equal chance to be chosen, uncertainty is maximized. On the other hand, when audience members use a small percentage of items or channels, the uncertainty of audience selection is reduced. Therefore, a lower value in the uncertainty measure (i.e., the information measure) means higher concentration.

With items with unequal probabilities, average information is a weighted average of various uncertainties associated with each of the values of x, separately, and calculated by

$$U(x) = -\sum p(x_i)\log_2 p(x_i),$$

where $p(x_i)$ is the probability of occurrence of events x_i, and $i = 1$ *to* k. This formula is the Shannon measure of average information (Attneave, 1959; Garner, 1962; Shannon, 1951), and the general form of $U(x) = \log_2 k$.

$$U(x) = -\sum p(x_i)\log_2 p(x_i) = -\{\sum p(x_i)\}\log_2 p = -\log_2 p = \log_2 k$$

where k is the number of possible outcomes, and $\sum p(x_i) = 1$, $p(x_1) = p(x_2) = \ldots = p(x_i) = p$.

There can be two kinds of average uncertainty measures. One is based on theoretical probabilities of all possible events, the other is based on observed proportions of all possible events. Suppose one obtained 46 heads by tossing a normal coin 100 times. The theoretical probability of obtaining one head is .5, and its observed probability is .46. Even when we do not know theoretical probabilities for all possible events, we can calculate maximum uncertainty by assuming that all events have an equal chance to be chosen (Yim, 2002). To compare audience concentration across media that have a different number of items or channels, this study proposes the ratios of the average information calculated from observed audience size ($U_{ave}(x)$, I shall refer to it as 'the average information') to the maximum uncertainty ($U_{max}(x)$), i.e.,

$$\text{Uncertainty Ratio} = U_{ave}(x) / U_{max}(x).$$

A higher ratio in this concentration measurement implies that the audience concentration of the medium is relatively lower. As audience members use every item equally, the uncertainty ratio approaches 1.

Rationales for Uncertainty Ratios

The effectiveness of uncertainty ratios can be addressed by comparing them with other measures on three criteria. The first issue concerns the difference between finance and estimated audience size. With financial data the dominance by top ranked channels receives attention because the market power or price-setting by leading media firms is a main concern of policy makers. In describing audience behavior, however, there is no reason to give special weights to the number of audience members using top ranked channels. Every selection based on audience members' preference should receive equal weight. Thus, the numbers that CR4, CR8, or HHI provides have less utility in studies of audience behavior. Rather than being incorporated into a financial index, a useful measure of audience concentration must directly reflect item or channel selection by audiences, which, in turn, reflects how audiences respond to item or channel abundance in a new media environment. In other words, audience concentration includes social and cultural factors as well as economic ones. This conceptual difference generates two additional issues.

The second is that an overall concentration pattern is more important than a point concentration when measuring audience concentration. A point concentration is the degree of concentration at a certain point (e.g., the top 4 channels or top 10% of channels) without considering the number of channels available in a single media industry. For those interested in economic concentration, market dominance by one firm might be more important than an overall concentration pattern because economic concentration is studied with regard to economic monopoly (Baseman & Owen, 1982). On the other hand, an overall concentration pattern needs to be considered in measuring audience concentration effectively because of its social and cultural implications. Audience concentration has this unique purpose even though it has been used as a substitute for an economic concentration index in many studies (e.g., Chan-Olmsted, 1996; Napoli, 1997; Picard, 1988; Waterman, 1991).

Third, the degree of audience concentration should be comparable across media, countries, and time to produce increased understanding of audience behavior patterns in different media environments. Although all measures used for financial data are comparable across industries or countries, the number of items available is not sufficiently reflected in the measures.

Moreover, uncertainty ratios are superior to Lorenz curves in expressing overall patterns of audience concentration because they make it easier to compare the degrees of audience concentration of the media with the different number of channels. Such comparisons can be misled by Lorenz curves that fail to consider the total number of items available within a medium. Furthermore, because calculating Gini coefficients from Lorenz curves is very difficult in practice, it is also difficult to express concentration in a single number with Lorenz curves.

To show the difference between uncertainty ratios and Lorenz curves, a hypothetical situation with either five or ten items was created, and presented in Table 1. Although Case 1 and Case 2 show the same percentages at the top cumulative 20, 40, 60, and 80 % points of Lorenz curves, the uncertainty ratio of Case 1 (= .76) is less than that of Case 2 (= .82), which means that the degree of audience concentration in Case 1 is higher than that in Case 2. Nevertheless, the probability that all items are used equally by audience members in Case 1 is lower than that in Case 2. These facts demonstrate the potential of the uncertainty measure of audience concentration, particularly for a case such as this one in which there are different numbers of media options.

Table 1. Distribution of Audience Shares: Uncertainty Ratios and Lorenz Curves in Two Industry Cases

Cases	Distribution of Shares(%)	Uncertainty ratios ($U_{ave}(x)/U_{max}(x)$)	Lorenz curves (at the x % point)			
			20	40	60	80
Case 1	60, 10, 10, 10, 10	.76 (1.76/2.32)	60(%)	70	80	90
Case 2	40, 20, 5, 5, 5, 5, 5, 5, 5, 5	.82 (2.72/3.32)	60(%)	70	80	90

Methods

To examine if audiences are concentrated on a smaller portion of items in a more abundant medium, this study examined the audience concentration of broadcasting television networks, basic cable television networks, magazines, and radio networks. Because these four media provide different numbers of items, cross-media comparisons were expected to reveal the relationship between item availability and audience concentration.

Data Sources

The data were obtained from syndicated sources. The syndicated data are Primetime Basic Cable Ratings, 2000, 4th Quarter (TNMedia Inc., 2001, based on estimates from Nielsen Media Research); Primetime Broadcasting Television Ratings, 2000, 4th Quarter (TNMedia Inc., 2001, based on estimates from Nielsen Media Research); Summer 1999 Target Group Report: Radio (Statistical Research Inc. (SRI), 1999); and the 1999 Fall Magazine Packages (Media Mark Research Inc. (MRI), 1999).

Primetime Broadcasting Television Ratings, 2000, 4th Quarter and Primetime Basic Cable Ratings, 2000, 4th Quarter reported by TNMedia Inc. (2001) are based on estimates from Nielsen Media Research, and include primetime broadcasting television household ratings and primetime basic cable household ratings respectively in the fourth quarter of 2000. Radar (radio's all dimension audience research) reported by Statistical Research Inc. (SRI) provides information about national radio audience delivery. Summer 1999 Target Group Report provides the Radar data on the time period, from 6 am to midnight, Monday through Sunday. The 1999 Fall Magazine of Media Mark Research Inc. (MRI) provides circulation of 214 magazines in Fall 1999.

Table 2. Distribution of Audience Size

Media	Minimum	Maximum	Sum	Mean	S.D[a]	Median
Magazine (N= 214)	152,000	41143000	396,928,000	1,854,800	4,438.47	878,000
Basic Cable Networks (N= 43)	0.08(HH[b])	1.45	23.83	0.55	0.3956	0.41
Radio Networks (N= 22)	2,668,000	46,420,000	438,467,000	19,930,320	13,781.64	18,953,000
Broadcast Television Network (N=6)	2.7 (HH)	8.8	37.1	6.18	2.7665	7.3

a: S.D: Standard deviation

b: HH: Household ratings

Table 2 describes the magazine, broadcasting television network, basic cable television network, and radio network data. The mean and median circulation of magazines are 1,854, 800 and 878,000 respectively. The mean and median household ratings of broadcasting television networks are 6.18 and 7.3 respectively. The mean and median household ratings of basic cable networks are 0.55 and 0.41 respectively. The mean and median of audience size of basic cable television networks are 19, 930,320 and 18,953,000 respectively.

Measures

The extent of audience concentration is calculated by the uncertainty ratios presented previously. The uncertainty ratio is a ratio of the average information based on observed audience size ($U_{ave}(x)$) to the maximum uncertainty within a medium ($U_{max}(x)$). The higher the uncertainty ratio, the lower is audience concentration of the medium.

To show how uncertainty ratios apply to media concentration studies, and to ascertain if the newly-suggested method is more effective than others, audience concentration calculated by uncertainty ratios is compared with the concentration values obtained by CR4, CR8, HHI, and Lorenz curves. CR4 and CR8 are calculated by summing percentages of the audience for which the top 4 and 8 channels account. HHI is calculated by summing squared percentages of the audience taken by each channel. Lorenz curves are expressed as the cumulative percentages of audience members for which the top cumulative 5 %, 10 % and 20 % of media channels account.

Results

Table 3 compares audience concentration across media for each measure. The maximum uncertainty varies according to the number of items or channels. The maximum uncertainty values of magazines (n = 214), basic cable television networks (n = 43), radio networks (n = 22), and broadcast television networks (n = 6) are 7.77, 5.44, 4.47 and 2.59 respectively. The ratios of the average information to the maximum uncertainty of magazines, basic cable television networks, radio networks, and broadcast television networks are 0.82, 0.93, 0.92 and 0.95 respectively. The degree of audience concentration is almost the same in basic cable television networks and radio networks, and audience concentration in broadcast television networks is lower than in the other media.

The results from Lorenz curves supported the results from the uncertainty ratios in general. The results showed that the cumulative 5 % of items (LC5) in magazines accounted for 45.7 % of the magazine audience, and the cumulative 5 % of items in basic cable television networks and radio networks accounted for 11.8 % and 10.7 % of the audience respectively. The cumulative 17 % of items in the broadcast television network industry accounted for 23.7 % of audience members. The Lorenz curves showed that audience concentration in magazines was highest, compared to basic cable television networks, radio networks, and broadcast television networks. Concentration patterns of basic cable television networks and radio networks for the Lorenz curves were very similar, just as for the uncertainty ratios.

Table 3. Comparisons of Various Concentration Measures

	Magazines (N= 214)	Basic Cable Television Networks (N= 43)	Radio Networks (N= 22)	Broadcast Television Network (N=6)
Uncertainty Measures				
Maximum Uncertainty ($U_{max}(x)$),bits)	7.77	5.44	4.47	2.59
Average Information ($U_{ave}(x)$,bits)	6.37	5.08	4.12	2.45
Uncertainty Ratios $U_{ave}(x)/U_{max}(x)$	0.82	0.93	0.92	0.95
Concentration Ratios				
CR4 (%)	30.24	22.95	37.49	86.12
CR8 (%)	40.13	40.82	62.27	100.00
HHI	313.06	348.29	662.01	1944.70
Lorenz Curves(%)				
Cumulative 5% of items or channels	45.7	11.8	10.7	N.A
Cumulative 10% of items or channels	55.4	22.9	21.1	N.A
Cumulative 20% of items or channels	67.3	45.3	38.0	23.7

CR4, CR8, and HHI measures of the four media revealed different concentration patterns. CR4, CR8, and HHI values are also inconsistent across media. CR4, CR8, and HHI values of broadcast television networks are highest among the four media. In magazines CR4 is higher than in basic cable television networks, but CR8 and HHI values are higher in basic cable television networks than in magazines. Magazines are highly concentrated according to the Lorenz curves, but have a relatively low HHI value. Although the HHI values of magazines, basic cable television networks, and radio networks are far below 1000, the HHI value of the broadcast television network industry is 1944.7. HHI values exceeding 1000 are generally interpreted to indicate concentration. Audience concentration in the broadcast television network industry was revealed to be very high by CR4, CR8, and HHI measures, but it was not found to be so by uncertainty ratios and Lorenz curves.

Discussion

The discussion of the results consists of two parts. The first part examines the relationship between item abundance and audience concentration, and the second concerns uncertainty ratios used to measure audience concentration.

Item Abundance and Audience Concentration

Interestingly, the results of uncertainty ratios and the Lorenz curves describing audience concentration are not always consistent with economic concentration in the media industry. Low audience concentration in television and radio networks is especially striking because Compaine and Gomery (2000) presented evidence of economic concentration in such media. This fact should serve as a reminder that audience concentration, as defined in this study, is not synonymous with economic concentration, as the latter might result from one firm owning multiple channels. Audience concentration patterns across media vary according to the number of item choices.

A higher uncertainty ratio implies that audience members are distributed widely across items or channels within a medium. Accordingly, the degree of audience concentration in magazines is higher than in the other media. Both the uncertainty ratios and the Lorenz curves revealed that audience concentration in media that provide a large number of items is higher than in the media that provide a limited number of items. The audience of basic cable television networks is more highly concentrated on a small percentage of items than audiences of radio networks and broadcast television networks, and the audience of radio networks is more highly concentrated on a small percentage of items than the audience of broadcast television networks.

The entry cost in magazines is relatively low, and fewer legal and technological restrictions are given to magazines, compared with radio or television networks. Easy entry in magazines increases the number of channels in this medium. The audience of such media uses only a very small portion of the large number of choices, because they are confronted with so many choices (Ferguson & Perse, 1993, 2000; Heeter, 1985; Webster & Phalen, 1997), and do not have enough information about many items. The results of this study imply that the extent of audience concentration will be higher in media that provide a greater number of items.

Television networks and radio broadcast networks have fewer items because they have to pay high costs to enter the market, and those that exist become large under the protection of the government (Owen & Wildman, 1992). Entering an industry in which big channels are well established is very difficult for new channels. On the other hand, there are relatively modest differences in audience size between well-established channels in both radio networks and television networks. Thus, audience concentration on a small percentage of items in such media is not as severe as in magazines. It appears that media markets posing the highest barriers to entry show the least evidence of audience concentration. These relatively few, well-financed, firms have the resources needed to program and promote their offerings, resulting in a comparatively even distribution of the available audiences. Moreover, because it requires so little capital to enter the market, there is no assurance that entrants have the willingness to generate or market content of great audience appeal.

Based on the result that as options increase, audiences are more highly concentrated on a smaller portion of item options, diversity policies based on the assumption that content diversity leads to exposure diversity are not justified unless an alternative rationale for the policies is suggested.

Uncertainty Ratios as a Measure of Media Concentration

Although the outcomes of concentration ratios and HHI were different from those by Lorenz curves and uncertainty ratios, Lorenz curves and uncertainty ratios are similar. This study suggests that overall measures of concentration are useful for describing audiences' item selection behavior. The uncertainty ratios and Lorenz curves show correctly that the magazine audience is the most highly concentrated and the audience of broadcast television networks is the least concentrated.

Moreover, the uncertainty ratio remains useful even though Lorenz curves can also measure overall audience concentration and have advantages over concentration ratios and HHI. First, unlike Lorenz curves, uncertainty ratios make comparisons of audience concentration across media easier by reflecting the number of items. Although the outcomes from uncertainty ratios and Lorenz curves are consistent in this study, such may not always be the case in other situations, as shown in Table 2. Therefore, the extent of audience concentration can be compared across media by calculating both the average information measure based on observed audience size and the maximum uncertainty. Because the actual audience size is transformed to a scale of 0 to 1 or 0 to 100 in Lorenz curves, comparing two media with different numbers of items by Lorenz curves is difficult in practice. Although audience concentration of basic cable television networks at three points (5%, 10%, 20%) for the Lorenz curves is higher than that of radio networks, the relative degrees of audience concentration of the two media measured by uncertainty ratios are very close. This result occurs because the probability of audience concentration in basic cable television networks is higher than in radio networks. As the results demonstrate, the Lorenz curve does not consider the number of items within a medium. This problem is particularly important when dealing with item selection by audiences, because one cannot judge the degree of audience concentration without the probability that every item is chosen with equal probability.

Second, the uncertainty ratios are expressed as a single number, whereas Lorenz curves are presented in a form of graph or expressed as cumulative percentages of the audience. Although Lorenz curves support audience concentration patterns shown by the uncertainty ratios, directly comparing audience concentration across media by Lorenz curves may not be plausible, because media have different numbers of items and their Lorenz curves may intersect. Thus, in such a case, Gini coefficients used to express a Lorenz curve as a single number can be also problematic in interpreting the curve.

Conclusion

This article examined how audiences respond to item abundance, and argued that there is a positive relationship between item abundance and the degree of audience concentration. This topic is important as item options in newer media increase. The result has two implications. The first concerns audience behavior. The fact that item diversity does not lead to exposure diversity can apply to future media that are expected to provide a large number of items or channels. The second concerns policy, which is not independent of audience behavior. The efforts to promote item diversity by policy makers can be undermined by the fact that audiences are more highly concentrated on a smaller portion of items with an increase in item options.

Another contribution of this study to the literatures on audience behavior is to introduce uncertainty ratios to measure audience concentration. Uncertainty ratios were suggested to overcome limitations inherent in the methods used for financial data. The fact that audiences are more highly concentrated as item options increase could be summarized by uncertainty ratios. Uncertainty ratios could be a useful tool applicable to other studies on item selection by audience members as well as audience concentration.

Notably, this study did not provide any cut-off point of severe concentration. Because it is the first study to apply an uncertainty measure to media concentration, there is no cut-off point in the uncertainty ratio equivalent to the HHI value of 1000 (generally HHI over 1000 indicates high concentration). A cuff-off point may emerge after more empirical studies using uncertainty ratios.

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Footnote

1. In general, a channel in the narrow sense is the term used in broadcast television networks, basic cable television networks, and radio. This study attempts to apply the notion to other media for cross-media comparison. The term "channels" is rarely used in the cases of books, magazines, or Web sites. Accordingly, I suggest that the alternative term "items" be used. This study operationalizes "channels available" or "items available" as the choices available within a medium to audience members at one time point. That is, one can select only one channel from channel choices available, as defined in this study, at one time point. For example, magazine titles, rather than publishers, are considered as channels or items, because the choices available when selecting a magazine to read are magazine titles. Likewise, generally one cannot select two different television programs at one time point. Hence, a television channel or a radio channel, not an individual program, selected at one time point is considered a "channel or item available". Despite efforts to define channels, some difficult comparisons are unavoidable. Even so, the comparisons make it possible to describe some features of mass audience behavior (Yim, 2002).

MME

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A 20th Century Phenomenon

Employee-Owned Dailies

Rare, And 71% Fail

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A 20th Century Phenomenon

Employee-Owned Dailies

Rare, And 71% Fail

Employee-owned dailies appear to be an ideal concept for the newspaper industry. While fulfilling journalists' dreams of ownership, the dailies might solve a multitude of problems.

This paper examines the concept, which is important because 260 dailies remain independent, and some owners want their publications to remain locally owned. Moreover, journalists continue to dream of acquiring dailies of their own, and employee-ownership may be the only practical alternative for achieving that goal.

Still, as the United States moves into the 21st century, few owners seem likely to turn their dailies over to their employees, and this paper analyzes the reasons for the concept's apparent failure. Thousands of dailies were published in the United States during the 20th century, yet only 14 were acquired by their employees – and 10 of those 14 failed, often in just a few years.[1]

Literature Review

The number of daily newspapers in the United States has declined from a high of 2,202 in 1909 to 1,468 today. Only one daily has survived in most cities, virtually ending the competition within cities. Busterna found that from 1960 to 1986 the number of cities with competing dailies declined by a little more than half, from 4.2% to 1.9%.[2] Since 1986, dozens more have failed.

While the number of dailies declined, those that survived were acquired by chains. The trend toward chain ownership started early in the 20th century, then accelerated. In 1910, 2,140 of the nation's English-language dailies were independent and only 62 owned by chains. The balance shifted in 1960 "when the group-owned dailies first outnumbered the independents."[3] Moreover, the remaining independents are small, accounting for less than 19% of dailies' total circulation.[4]

Several factors contributed to the growth of groups:[5]

- Experts agree that tax laws were the biggest factor.[6] Although reduced from 70% to 55% of an estate's value, inheritance taxes made it difficult for owners to leave newspapers to their children. Children were forced to sell family newspapers to raise the money needed to pay their taxes.[7]
- While forcing families to sell newspapers, U.S. tax laws encouraged chains to buy them. By spending their earnings to buy more properties, chains avoided paying some taxes and gained new properties they could depreciate for further savings.[8]
- Some aging owners had no children or other logical heirs (or feared that their heirs were incompetent).
- Some children were uninterested in taking over family newspapers.
- Typically, each new generation increased in size, and the 20 or 30 heirs in a third or fourth generation often disagreed about how to run a newspaper, demanded greater financial returns, or wanted all their money to pursue other interests. Irreconcilable differences necessitated sales in even small families.[9]
- Some families lacked the large sums needed for new equipment or, more recently, to fully participate in the new electronic age.[10]
- Buyers abound and offered owners extraordinarily high prices, a major inducement to sell.[11] Moreover, owners could select groups whose philosophy they admired. Groups could afford inflated prices and had the expertise needed to operate their acquisitions profitably. Also, newspapers were attractive properties because their profits were high, and many enjoyed a monopoly or oligopoly that gave them a tremendous ability to raise prices.[12]

Journalists tended to be critical of the trend: of absentee owners and of an industry dominated by bankers and big investors.[13] Journalists charged that incoming chains cut staffs and focused on their acquisitions' productivity and profitability rather than quality.[14] Critics also feared chains' power. In addition, critics accused chains of charging significantly more for advertisements and subscriptions -- and of publishing editorials that were bland.[15]

Loren Ghiglione, a newspaper owner for 26 years, concluded that independents do a better job of serving their communities. "Independent proprietors believe they care more about their towns than group managers would," Ghiglione said. "A bigger news hole is more important than bigger profits. Service to the community comes before service to corporate headquarters."[16] Similarly, Squires declared that: "All CEOs of publicly traded corporations eventually learned what Allen Neuharth said when he first offered Gannett stock on the public market: Investors are only interested in good news. And it must be delivered year after year."[17]

The evidence, however, is contradictory.[18] Shaw found that newspapers owned by chains can be better because an independent's owner tends to develop conflicts of interest just from knowing and liking the people in a community. "He comes to regard his paper as a house organ for his community and not a dependable source of facts," Shaw said. "Managers of group papers, on the other hand, don't have to kowtow to local power structures. They are freer to practice independent journalism than owners who live in town."

Still, Shaw concluded that something valuable vanished when the "old, ornery, independent cusses" who once controlled the American press were replaced by the managers sent in by chains. The independents' worst was embarrassing, Shaw said, "but their best was better than what we have now."[19]

Still, chains such as Knight-Ridder have enjoyed a reputation for journalistic excellence: for putting quality before profits.[20] Also, many executives believe that "a company's character and operation are shaped more by its size and caliber of top management than by how its stock is traded."[21] Cranberg, Bezanson, and Soloski, for example, concluded that four public companies "have managed, so far at least, to blunt the financial-market forces that increasingly govern the behavior of the rest of the firms." The four include McClatchy Newspapers, The Washington Post Company, the New York Times Company and Dow Jones. Overall, however, Cranberg, Bezanson, and Soloski warned that the people investing in publicly traded newspapers "are concerned with revenues, margins, continuously improving profitability, and stock performance. They are indifferent to news or, more disturbingly, its quality."[22]

Summarizing the controversy, Ureneck said: "Public ownership has proven to be a mixed bag. On one hand, it provides the capital necessary for a company's expansion and diversification, and it offers owners liquidity. On the other hand, it cedes control to investors who are primarily interested in profit, not journalism."[23]

Employee-owned dailies can avoid many of the problems associated with chains. They remain locally owned and are controlled by journalists, not businessmen. There is no concentration of power, and employee-owners may be freer to emphasize quality over profits. Moreover, the concept rewards loyal employees by enabling them to share in a company's profits.

Why, when the concept seems to have so many advantages, did employees acquire only 14 dailies during the 20th century, then sell 71.4%? The first two sections of this paper address that question. Section III describes alternatives advocated or implemented by journalists.

Methodology

The author defined an employee-owned daily as one which: (1) gave *all* its employees, not just a few, an opportunity to become part-owners; and that (2) was controlled primarily by its employees, who held 51% or more of its stock.

To learn more about employee-owned dailies published during the 20th century, the author read the biographies and autobiographies of journalists who worked for those dailies, but also books about other journalists and other dailies. In conjunction with a series of related studies, the author read a total of approximately 100 biographies, 150 autobiographies, and 250 magazine articles written by and about early reporters and editors. The author also looked at 20 books written about specific newspapers and at approximately 180 books written about related topics. Some of the latter books described early journalists and newspapers in general. Others described the journalists or newspapers in a specific city, state, or region. Still others described journalists who fell into specific categories, such as "women journalists" and "fighting editors." Many of the books are described in annotated bibliographies devoted to journalism.[24]

In addition, the author consulted *Poole's Index to Periodical Literature* and *Reader's Guide to Periodical Literature* to find magazine articles written about the topic.[25] To supplement those sources, the author visited dailies' web sites and interviewed or corresponded with newspaper executives.

By looking at every employee-owned daily, as opposed to focusing on just one, the author was able to look for common patterns and answer the question: "Why did such a large percentage of the nation's employee-owned dailies fail?" By looking at other journalists and other dailies, the author was able to answer a second important question: "Why did employees acquire so few dailies?" While looking for answers to both questions, the author found frequent references to the alternatives discussed in Section III of this paper. Finally, by consulting a variety of sources, the author was able to learn the perspective of both employees and their employers.

SECTION I: Obstacles To Employee Ownership

Although journalists often dreamed of owning a daily of their own, there were four primary obstacles to achieving that goal. First, during the early 1900s, owners typically wanted to leave newspapers to their families, not employees. Second, escalating costs made it difficult for employees to afford dailies. Third, negotiations were transacted in secret, so employees rarely had an opportunity to bid for dailies. Fourth, many newspaper owners were businessmen anxious to maximize their profits, not journalists anxious to promote professional values.

JOURNALISTS' DREAM. Clearly, many journalists dreamed of owning a newspaper and were confident that they would succeed: that a daily would make them rich, powerful, and famous.[26] Moreover, if journalists owned a daily, they never would have to worry about being fired. Samuel Blythe, for example, "decided that the only way to make money and reputation was to own a paper: to work for oneself instead of for wages."[27] There was an undeniable romance to the idea of getting away from the rat race to take up the bucolic small-town life. As the owner of a small daily, journalists imagined that they would be freed of mean-spirited, penny-pinching publishers and their sacred cows.[28]

Allan Forman, editor of *The Journalist*, found that, "Hardly a day passes that some sanguine newspaperman does not burst in upon us with the announcement that he is going to start a paper and revolutionize journalism." Yet when Forman looked at journalists' plans, the result was invariably the same. Journalists did not have enough money, and those who tried to implement their plans failed.[29]

FAMILY LOYALTIES. Typically, early owners were emotionally attached to their newspapers and wanted to pass them on to children.[30] Many viewed their daily as a quasi public trust and, by keeping it in their family, achieved a kind of immortality for themselves and their work.[31]

The advocates of employee ownership were mistaken about owners' relationship with their employees. Those advocates seemed to believe that owners were anxious to reward loyal, long-term employees. Yet the books and articles written by journalists indicate that, typically, their relationship with owners was cold, distant, and impersonal. Owners and their staffs were from different classes with different interests. In many cities, owners were part of the local aristocracy whereas reporters were considered hired help: subordinate and easily replaceable.[32]

Even some of the field's most famous publishers rarely spoke to or even knew their staffs.[33] Other publishers were autocrats who terrorized their staffs: Wilbur F. Storey and James Gordon Bennett Jr., for example.[34] Similarly, Joseph Pulitzer allowed a city editor to rule his Evening World "like a dictator." The city editor, Charles E. Chapin, never spoke to members of his staff outside its newsroom and, at work, never talked about anything but business. "I was myself a machine, and the men I worked with were cogs," Chapin explained. "The human element never entered into the scheme of getting out the paper. It was my way of doing things." At one point, Chapin even bragged that he fired 108 men.[35]

Moreover, dailies had few long-term employees. Beginners normally started their careers in small towns and, after gaining some experience, moved to larger markets. Experienced journalists then moved from one big daily to another.[36] Journalists' ultimate goal – their Mecca – was New York City, yet even the journalists in that city considered their jobs "a temporary affair."[37]

Another reason for the turnover was age. Like athletes, reporters were in their prime during their 20s and early 30s.[38] Youngsters were able to stand the strain of the job: the poverty, stress, long hours, irregular meals, and lack of sleep. Keller estimated that 90% left before they became old, using their jobs as stepping-stones "to something else less exacting, less limited in remuneration, less insecure in employment."[39]

Editors and owners contributed to the turnover. "One error in judgment, one serious mistake, will wipe out a record of years of faithful, conscientious, and fruitful toil," Keller explained. "A change in management or the whim of a proprietor may annul a position won by a lifetime of earnest endeavor and devotion to duty."[40] Even talented reporters and editors were fired when newspapers' profits fell. Other reporters and editors were eliminated in the purges directed by efficiency experts – or when newspapers were sold, merged, or closed.[41] (As recently as 1986, Weaver and Wilhoit found that reporters had worked for their current employer an average of only three or four years, and that journalism remained "a young person's occupation," with many of the industry's practitioners leaving in their 40s.)[42]

Editors, too, came and went.[43] An extreme example, William Randolph Hearst's Chicago American, had 27 city editors in its first 37 months.[44]

OTHER FACTORS. Employee ownership also was discouraged by: (1) escalating costs, (2) the secrecy surrounding most negotiations, and (3) a conflict between business and professional values.

Journalists' salaries remained low as costs escalated during the 1900s, making it increasingly difficult for employees to afford dailies. By 1900, most cities had several dailies and, for journalists, the cost of establishing or purchasing one was prohibitive. None of the reporters Samuel G. Blythe knew had a cent, or expected to ever have any money, except on payday.[45] Other journalists agreed that the industry's salaries were low, making it difficult for reporters to save any money.[46]

Jointly, employees wanted to buy more dailies but were denied an opportunity to even bid for them. Normally, when dailies were sold, the negotiations were conducted in secret. Typically, the New

York World was sold and killed – perhaps unnecessarily – behind closed doors.[47] The company's revenue had declined from a peak of $25 million to $13 million, and it had lost more than $1.5 million in 1930. Still, the Morning World had a circulation of 320,000, the Evening World 284,000, and the Sunday World 500,000. The company had not set aside any money for emergencies, and some journalists accused the Pulitzer family of squandering all its profits on luxurious living. Some journalists also believed that new and more competent owners would be able to save the newspapers.[48]

Joseph Pulitzer's youngest son, Herbert, offered to sell the newspapers to Adolph Ochs, publisher of The New York Times. Ochs apparently wanted to turn the World over to its employees and – if given the time – might have provided financial assistance, but received no response to his proposal.[49]

For a few hours, the World's employees tried frantically to raise enough money on their own. Some pledged their life savings, but their effort was too little, too late.[50] Claude Bowers, a columnist at the World, suspected that the Pulitzers were reluctant to sell their newspapers intact and that the sale had already been secretly agreed to. Roy W. Howard of Scripps-Howard submitted the highest bid, $5 million, then killed the morning World and merged the Evening World with his afternoon Telegram.[51]

Other owners never considered selling their newspapers to their employees, a notion foreign to their values. While some owners viewed their newspapers as sacred trusts, with an obligation to their readers and communities, others did not. Increasingly during the 1900s, newspapers were owned by businessmen who invested in them after becoming rich in other fields.

As early as 1908, William Salisbury complained that, "Journalism in America is, in nearly every case, but a business to newspaper owners and managers....." The newspapers Salisbury worked for were owned by "a multimillionaire politician, two ex-printers, one ex-baker, and three bankers, one of whom was an ex-keeper of a peanut stand."[52]

After working 13 years as a journalist, J.W. Keller agreed that: "When the question of capital is considered, journalism becomes at once a business, pure and simple. Money is invested to make money. The fundamental principle of metropolitan journalism today is to buy white paper at 3 cents a pound and sell it at 10 cents a pound." Keller found that nearly all the money invested in new publications in New York City, for example, came "from sources entirely alien to journalism itself."[53]

SECTION II: Attempts At Employee Ownership

Counts of the nation's employee-owned dailies vary because of mergers, failures, and conflicting information. For years, the Milwaukee Journal and the Milwaukee Sentinel, for example, were separate publications, counted as two employee-owned dailies. Since their merger in 1995, they have been counted as one. Also, employees owned different proportions of newspapers, from a few shares to 100%.

THE SUCCESSFUL. As the 20th century ended, employees owned a majority of the stock in only four dailies.

1. Milwaukee – Established in 1937, the employee-ownership plan in Milwaukee, Wis., is the oldest still in effect. Employees own 90% of the stock in Journal Communications, Inc., which owns the Milwaukee Journal Sentinel, plus five television and 34 radio stations in other cities. Lucius W. Nieman founded the Journal in 1882, and several chains wanted to buy it when Nieman died in 1935.

Nieman's will allowed his trustees to sell the Journal to the bidder most likely to carry on his ideals rather than to the highest bidder.[54] Nieman's successor, Harry J. Grant, believed that ownership motivated employees to do their best, but also wanted to maintain local ownership and to spread the Journal's profits among the employees who helped earn them.[55]

To fend off chains, Grant established an irrevocable trust. Shares valued at $3,500 each were split 100 for 1 (to $35 units) and offered to employees who had worked for the Journal five years. More than 500 employees qualified, and each received an initial stock quota of from $500 to $5,000, based on their pay and rank. The company helped employees arrange bank loans at low interest rates, and a large bonus helped them make a 50% down payment. The balance was due within 10 years, with dividends applied toward payment. To prevent sales to outsiders, employees held "certificates of participation" instead of actual stock and, when they left the company, were required to sell their certificates back to the trust.[56] Seven employee-owners served on the company's 24-member board.[57]

2. **Omaha** – In 1962, the owner of Omaha's World-Herald was about to sell the daily to the Newhouse chain. Peter Kiewit, who operated one of the largest construction companies in the region, learned that the newspaper was being sold to a chain "and did not want his hometown paper owned by an outsider." Kiewit bought the World-Herald, then "let the newspaper people run it, and created a mechanism that would, upon his death, permit employee ownership while ensuring the paper remained locally owned."[58] When employees resell their stock, they receive only its book value. Any amount over that goes to charity, so neither the World-Herald's employees nor the Kiewit Foundation (which retained about 20% of the stock) has a financial incentive to sell to a buyer offering a premium.[59]

3. **Fairbanks, Alaska** – In 1975, C.W. Sneeden, publisher of The Daily News-Miner in Fairbanks, Alaska, established an employee ownership plan that ensures the daily's continued local ownership and independence.

4. **Monroe, Mich.** – The Evening News in Monroe, Mich., was acquired by its employees in 1994. Grattan Gray, chairman of the board, sold 58.8% of the company's stock to an Employee Stock Ownership Plan (ESOP).* The company was heavily in debt, and Gray concluded that an ESOP was "the only answer to maintaining local ownership." All but eight or 10 of the newspaper's 100 employees converted at least a portion of their 401(k) plans into company stock.[60]

THE UNSUCCESSFUL. Ten other newspapers owned by their staffs failed, were sold, or merged. Each failure seems unique, so while publishers can learn some lessons from employee-ownership's failures, it may be impossible to anticipate every problem. Arranged by their date of acquisition, the employee-owned dailies that failed included:

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*Legislation Congress adopted in the 1970s gives banks an incentive to finance Employee Stock Ownership Plans (ESOPs). Banks pay taxes on only half the interest they earn and, therefore, can grant ESOPs more favorable rates. The ESOPs use loans to buy stock from a company's owners. Employees then buy shares, paying for them through payroll contributions. Some companies make additional contributions on their employees' behalf. Although common in other industries, ESOPs remain rare in the newspaper industry.

BEST COPY AVAILABLE

1. & 2. Kansas City – Employees acquired The Kansas City Star and The Kansas City Times in 1926. Publisher William Rockhill Nelson died in 1916 and – mistakenly – even some employees thought that Nelson arranged for his staff to buy The Star.[61] In fact, a son-in-law was responsible for the arrangement.[62] Nelson's will said The Star should be sold after the death of his wife and daughter, and the proceeds given primarily to an art gallery.[63] Nelson's son-in-law helped The Star's staff submit the highest bid, $11 million.[64]

Reporter Martin Quigley complained that, initially, shares in The Star were priced at $100 and that 75% were sold "to front office big shots." Only the remaining 25 percent "was put up for grabs to the cheap help," and there was not enough for everyone who wanted it. While some reporters were unable or unwilling to invest, "a good many correctly sensed that it would be the best buy of their lives." The stock made even a police reporter a millionaire. Quigley added:

> None was offered me, and I could not have bought a dollar's worth if it had. In later years, though, as the original purchasers died off and their holdings had to be held in trust for sale to employees, most of the reporters who stayed on were encouraged to buy in. Many staffers ... refused to buy on the principle that an employee ought not to have to buy stock to ensure adequate retirement income.[65]

In 1977, The Kansas City Star and The Kansas City Times were sold to Capital Cities Communication for a record $125 million.[66] Fifty years after being acquired by its employees, the company had run into financial problems. There were allegations that the company's managers were inept, while an executive complained that the company was "run by committee."[67]

3. New York – Also in 1926, employees of The New York Sun were offered an opportunity to buy its stock. The Sun's 71-year-old owner, Frank Munsey, had died of appendicitis and left the bulk of his $20 million estate to the Metropolitan Museum of Art. Munsey instructed his executors to sell his properties within five years, but had said he wanted to reward his employees. Executor William T. Dewart approached the museum's trustees, who agreed to sell The Sun, the Evening Telegram, and other properties to him for about $13 million. Dewart sold the Evening Telegram, then concentrated on The

Sun, selling large blocks of stock, also valued at $100 a share, to employees.[68]

Employees apparently had no role in The Sun's management and, by the 1940s, many no longer owned stock in the newspaper. At $100 a share, it was too expensive (and offered first to The Sun's executives).[69]

By 1947, The Sun's employees knew the newspaper was losing money, and there were rumors about its sale. But The Sun was 116 years old, and employees thought a new owner would revitalize, not kill, the publication.[70] Abruptly on Jan. 4, 1950, employees were informed that The Sun was dead. One of those employees, columnist Ward Morehouse, commented:

> The New York Sun had been a great deal more than just a job to these men. It was a newspaper they had loved. They had stuck together for years in defying the Newspaper Guild and denying it a foothold in the organization; they had taken pride in The Sun's traditions, as they had in their own work and in their contributions to the independence and accuracy of the news stories. Many of them had stock in the paper and there were many who regarded it as a place that offered lifelong employment. Most of them had heard the management's ringing denial of sale rumors at an office dinner some years before and had remembered the exact words, "Yes, the New York Sun is for sale – at the newsstands for five cents!"[71]

4. Hartford, Conn. – Under a trust devised in 1947, employees were encouraged to buy stock in The Hartford Courant but required to sell the stock back when they retired or died. Employees' heirs could keep the stock only if they obtained a special waiver. All voting rights, plus the power to grant waivers, were given to The Courant's trustees.

In 1978, Capital Cities offered The Courant's stockholders $132 a share. Employees opposed the sale whereas employees' heirs -- with no jobs to lose and everything to gain -- "tended to vote in favor of selling, or at least considering other offers." Still, the offer was rejected.

In 1979, the Times Mirror Co. of Los Angeles offered The Courant's owners $200 a share: a total of $105.5 million. At the time, The Courant's directors were squabbling with top executives (and the executives with one another) over how the newspaper should be run. Plus, there were other problems as well:

- Some directors and managers were critical of The Courant's news coverage.
- Despite climbing profits, some directors believed the newspaper's earnings and stock price were too low.
- There was the continued threat of a takeover.
- After a strong publisher retired, illness forced his handpicked successor's premature retirement, leaving a vacancy in The Courant's leadership.

When the Times Mirror made its more generous offer, The Courant's directors accepted it, thereby extricating themselves from all the newspaper's problems.[72]

5. Cincinnati – In 1952, employees and readers who wanted Cincinnati's morning daily to remain locally owned purchased it from the estate of John R. McLean. About 75% of The Enquirer's employees acquired stock.[73] In 1955, internal dissension resulted in the firing of some leaders of the employee movement, and many shareholders sold out.

Scripps-Howard published Cincinnati's evening daily, the Post & Times Star, and began acquiring stock in the Enquirer. By 1970, Scripps held 60% of the stock and was ordered by a court to sell it. The Enquirer's board had been waiting for an opportunity to regain a majority interest, and most of The Enquirer's stockholders approved the purchase, bidding $35 a share.[74] A minority argued that the company could not afford Scripps' shares, which would cost $17.6 million, and filed four lawsuits to block the purchase. A Cincinnati-based holding company that owned a local bank then offered Scripps and other stockholders $40 a share, thus acquiring The Enquirer.[75]

6. Palo Alto, Calif. – In 1957, employees acquired the Peninsula Newspapers Inc. of Palo Alto, Calif. Two decades later, they sold the Palo Alto Times and other properties to the Tribune Co. of Chicago.

7. Redwood City, Calif. – The Redwood City Times also was owned by Peninsula Newspapers Inc. Thus, it, too, was acquired by its employees in 1957, then sold to the Tribune Co.[76]

8. Milwaukee, Wis. – During a strike in 1962, the Hearst Corp. sold the money-losing

Milwaukee Sentinel to the Journal for $3 million.[77] The Sentinel then became an employee-owned daily and continued to be published in the morning while the Journal continued to be published in the afternoon. By 1995, newsprint costs had risen, and the dailies' circulations had declined. The dailies were merged, creating the Milwaukee Journal Sentinel which is published in the morning.[78]

In 1996, the Milwaukee Journal Sentinel was threatened. Affiliated Publications offered $1 billion for the newspaper's parent company. Employees were paying $36.24 per share, and Affiliated's offer would have doubled the value of each share.[79] Some employees were unhappy because the Journal and the Sentinel had merged, eliminating 248 jobs.[80] Still, Milwaukee's employee-ownership plan survived. Holders of two-thirds of the company's shares had to support a sale, and the corporation's board could overrule any vote.[81]

In 2003, leaders of Journal Communications Inc. proposed dissolving the 66-year-old employee stock trust and selling Journal shares to the public. Under the proposal, employees' shares would be worth 10 votes each, so the company's employees would retain control in corporate governance matters. Yet many of the company's shareholders tended to be older and may want to diversify their holdings or to repay loans they obtained to buy stock. As more stock is issued and the percentage held by the employees declines, those employees may someday lose control of the company.[82] There also are fears that new FCC rules, "combined with Journal Communications' plans to go public, could ... make the company an acquisition target."[83]

The sale of shares to the public will provide the capital the company needs to expand. Under the new FCC rules, Journal Communications Inc. could, for example, acquire more radio stations or another television station in Milwaukee.

9. Wilkes-Barre, Penn. – The Citizens' Voice in Wilkes-Barre, Penn., was established during a strike at the city's existing daily in 1978, and every employee was given stock. Employees sold the newspaper in 2000, and an executive explained that it "was the next logical step" and that they "found a good match" with another daily in the state.[84] At the time of the sale there were still two dailies in

Wilkes-Barre, a city of 43,000. The Citizens' Voice had a circulation of 33,819 on weekday mornings and 29,739 on Sundays. Thus, it remained far behind its rival, The Times Leader, which had a circulation of 49,823 on weekday mornings and 67,205 on Sundays.[85]

10. Peoria, Ill. – In 1984, publisher John T. McConnell began to turn the Journal Star over to his employees, confident that their agreement would make it difficult for employees to ever sell the daily.[86] The Journal Star was the first U.S. daily to create an Employee Stock Ownership Plan (ESOP), and experts said it could serve as a model, showing "the dwindling roster of about 375 independent newspapers how to stay locally owned and successful."[87]

Peoria's Journal Star remained independent only 13 years, primarily because its employee-ownership plan was too generous. For each $50 an employee invested in its stock, the company contributed an additional $150. The price of each share rose from $39 in 1983 to $207 in 1996, and some employees decided to retire early.[88] The company did not have enough money to buy back every share and, in 1996, sold the Journal Star to the Copley Press for $174.5 million.

MINORITY INTERESTS. Employees acquired some stock – but not a controlling interest – in other dailies, such as The New York Tribune and The Denver Post. When Horace Greeley died, he held only 6% of the Tribune's stock, in part because he had given some shares to employees.[89] In Denver, Harry H. Tammen and Fred G. Bonfils purchased The Post in 1895, and neither had children. After their deaths, much of The Post's stock was held in trusts and foundations. Executive Palmer Hoyt considered it an unhealthy situation and, after studying other employee-ownership plans, wanted to make all The Post's stock available to employees,[90] yet they acquired only 8%.[91] Most of The Post's stock was turned over to the Denver Center for the Performing Arts. Dissatisfied with The Post's performance, the center's trustees sold The Post to the Times Mirror Co.[92] (A current employee adds that changes in federal tax laws made it difficult for foundations to own for-profit businesses, and also that a newspaper executive "was really more interested in building a performing arts center than in running The Post."[93])

Similarly, employees now own 30% of the stock in the Daily News in Longview, Wash. The other 70% belongs to a family, an arrangement that enables the Daily News to remain independent.[94]

SECTION III: Alternatives

Rather than sell dailies to their employees, newspaper owners have found alternatives, some apparently more successful.

> **ONE** – Before anyone considered the idea of employee ownership, journalists advocated endowed newspapers.
>
> **TWO** – Today's owners often share their profits with employees, especially top executives.
>
> **THREE** – Other owners leave their newspapers to charities that help a larger number of people, typically all the residents of their community.
>
> **FOUR** – Still other owners create educational institutions.

The failure of so many employee-owned dailies makes owners wary of the concept. Moreover, financial experts warn against it.[95]

ENDOWED NEWSPAPERS. For years, journalists advocated endowed rather than employee-owned newspapers. During the early 1900s, endowed newspapers seemed able to solve the era's problems: commercialization, irresponsibility, sensationalism, and bias. Endowed newspapers also seemed able to protect newspapers from the corrupting influence of politicians and advertisers. Groups were not yet perceived as a problem.

Charles H. Levermore of the Massachusetts Institute of Technology complained in 1889 that newspapers misled their readers, and he explained that:

> The newspaper misleads, first of all, because it is a business enterprise, doomed to death if the profits are not forthcoming. The owners must get advertisements in order to be able to attract a larger circulation; he must acquire a large circulation in order to hold his advertisements....The dominant political rings can give him profitable public printing. The powerful corporations enchain him with patronage....He dares not speak of municipal or corporate corruption, or of private wickedness, for fear of losing advertisements or personal favor, or of damaging the local prosperity.[96]

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Levermore believed that endowed newspapers would be fairer and more truthful. A philanthropist might provide $4 million, and income from the endowment might be used to hire the best talent in the country. Because no one would depend upon the newspaper for their livelihood, journalists would be freed of the need to earn a profit, and neither advertisers nor subscribers would be able to pervert its policies.[97]

In 1903, W.H.H. Murray agreed that the United States needed "a journalism that is accurate in statement, reliable in its news, discriminating in its editing, and free from vulgar personalism and slanderous attack...." Murray, too, concluded that only an endowed press would permit good journalism, and he explained that:

> Money has no conscience, no honor, no patriotism, no sympathy with truth, right, and decency, and never has had. It loves and seeks but one thing, – profits. Whatever will make the paper sell, goes into it, right or wrong, true or untrue, slanderous or just, clean or unclean, it is all the same to money. Whatever will make the greatest sensation; whatever will fetch the most dirty pennies from dirtier pockets; whatever will make the most sensational publishment and call for a more sensational counter statement in the next issue, goes in. And this is called good journalism among us![98]

In 1912, a magazine editor agreed that a good newspaper with an enterprising and trustworthy staff could not be self sufficient. Rather, to avoid the temptation to sensationalize and commercialize, a newspaper needed a guaranteed income. The editor, Hamilton Holt, believed that, once established and recognized as a truthful and impartial medium, an endowed newspaper would "exert a great influence for good on other papers by forcing them to raise their standards of accuracy and fairness." A group of public-spirited citizens or some great capitalist might endow the newspaper, and Holt calculated that $5 million would be sufficient. A board of trustees, composed of prominent individuals from different political parties and social classes might supervise the newspaper's finances, select its editor, and ensure that the journal lived up to its high principles.[99]

REWARDING EDITORS. Rather than selling their dailies to employees, owners began to reward a few key executives. Giving executives a portion of their profits or a few shares of stock helped attract and retain the most talented. The practice started during the mid 1800s and continues today.[100]

To expand his empire, E.W. Scripps gave promising young executives the money needed to establish dailies in rapidly growing industrial cities.[101] Scripps normally retained at least 51 percent of the stock, dividing the other 49% among his associates, and Knight explained:

> Usually in starting a paper he put up all the money. When the paper became profitable, the editor and business manager began repaying Scripps for the initial value of their stock. The incentive of profit-sharing undoubtedly had much to do with making a success of what might be regarded as shoestring newspapers. Furthermore, their initial capitalization appeared lower than it really was, because his editors and managers worked for a smaller salary, in anticipating an eventual share of ownership....[102]

Scripps was not being altruistic. "He simply could make more money by holding 51% and letting capable subordinates hold the other 49% than he could by owning the entire paper," Knight said. As Scripps' network of newspapers and stockholders became larger and more complicated, he devised a simpler system of profit-sharing for every employee, regardless of rank.[103]

Cissy Patterson was even more generous. When Patterson died in 1948, she left the Washington Times-Herald to seven executives. Patterson hoped the executives would cherish the Times-Herald; instead, they sold it for $4.5 million. Why? Three of the men were over 60 and wanted to retire. Two were worried about tax problems. There also were questions about whether the seven could work together harmoniously: about whether the Times-Herald could be run effectively by a committee. Moreover, the men lacked operating capital and had to borrow for their weekly payroll.[104]

CHARITABLE DONATIONS – In 1918, James Gordon Bennett died childless at the age of 77. Bennett's will, read the next year, ended rumors that he was leaving three newspapers to his employees, his wife, or a syndicate. As a memorial to his father, Bennett left the New York Herald, its Paris edition, and the Evening Telegram for the establishment of a home for old, poor, and incapacitated journalists.[105] Because of his estate's financial problems, all three newspapers had to be sold, and the home never was established.[106]

During the 20th century, other publishers also began to leave much or all their estates to charities:

- Joseph Pulitzer's estate totaled $18,525,116, and most of the money went to his family. Still, Pulitzer gave Columbia University $1 million for the establishment of a school of journalism and $250,000 to provide scholarships and annual prizes for outstanding journalistic achievements. In addition, Pulitzer left $500,000 to the Metropolitan Museum of Art and a similar amount to the Philharmonic Society.[107]

- Col. Robert R. McCormick, publisher of the Chicago Tribune, created the McCormick Charitable Trust.[108]

- Amon G. Carter left an estate of $10.3 million in a smaller market, Fort Worth, Texas. Carter left some money to his children and other relatives, but the bulk – $7.3 million – to the Amon G. Carter Foundation, which supports worthy causes in his hometown.[109]

- Theodore Bodenwein left The Day in New London, Conn., in the hands of five local trustees, including two from his newspaper. Since 1939, profits not needed for quality coverage and expansion have been given to community organizations, an arrangement that assures The Day's continued independence.[110]

- Marajen Stevick Chinigo left control of the News-Gazette in Champaign, Ill., to a nonprofit foundation that supports local charities.

- In Delaware, Joe Smyth created a nonprofit company to ensure its perpetual independence. Smyth was CEO of Independent Newspapers Inc., which published the Delaware State News in Dover and 37 other daily, weekly, and monthly newspapers. Five trustees reinvest the company's profits back into its newspapers. To establish the trust, Smyth "had to relinquish his ownership and the ability to pass the company on to his children."[111]

EDUCATIONAL INSTITUTIONS. Nelson Poynter created journalism's most famous trust. Poynter, who published the St. Petersburg Times until his death in 1978, believed that an independent and locally-owned newspaper is "less bottom line-driven than its publicly held counterparts and more accountable to readers."[112] Poynter mistrusted even family ownership, believing that the Times should be controlled by "professionals who recognize what the duty of the paper is."[113] He considered, then rejected, the idea of allowing employees to take over the Times or leaving the Times to his alma mater, Yale University.[114] Instead, Poynter created the Modern Media Institute, later renamed the "Poynter Institute for Media Studies," hoping it would elevate the practice of journalism and ensure his daily's continued independence. (Ten years after Poynter's death, a family squabble threatened even the Times. Poynter's nieces sold their 40% interest to an investment group controlled by financier Robert M. Bass, who then tried to take over the entire newspaper. To get rid of Bass, the Times went into debt to buy his shares.[115])

Two other publishers also recently announced the establishment of educational institutions. In 1999, Nackey Scripps Loeb, publisher of The Union Leader in Manchester, N.H., founded a school of communications. When she died in 2000, her stock went to the school.[116] Similarly, H. Brandt Ayers, whose family owns the Anniston (Ala.) Star and Talladega's Daily Home, has announced that their ownership will eventually be transferred to a nonprofit foundation that will establish the Ayers Institute, which will offer a graduate program in community journalism in collaboration with the University of Alabama.[117]

FAILURES' CHILLING EFFECT – Today's owners are reluctant to try employee-ownership because so many attempts failed. Howard H. "Tim" Hays, for example, hoped his sons or other relatives would take over the Press-Enterprise in Riverside, Calif., but none wanted to. Hays then considered three alternatives: (1) employee ownership, (2) giving the Press-Enterprise to Stanford University, or (3) selling the Press-Enterprise to a public-spirited non-journalist who would guarantee its staff's editorial independence.[118]

Hays rejected the idea of employee ownership "because the history of such sales is disastrous." After learning that university policies prohibited any commitment to retaining the newspaper, Hays also decided against giving the Press-Enterprise to Stanford. At the age of 80, he sold the Press-Enterprise to a group: the A.H. Belo Corp. of Dallas, Texas. "Out of consideration for our employees and our readers, we were careful in our selection of a purchaser," Hays explained. "We had a short list of companies we thought qualified in terms of maintaining the quality and integrity of the paper. Belo was among them."[119]

EXPERTS' WARNINGS – Though a 401(k), employees in many industries can invest their retirement savings in the company they work for. Companies often add to employees' contributions, sometimes even matching them. Financial experts are skeptical, however, and one explained:

> Investing 50 percent of your retirement savings in your employer's stock exposes you to too much risk. This is true regardless of the company for which you work. If your employer should ever experience financial reversals, one of the first things companies do is lay people off. Of course, at the same time, the stock usually plunges.[120]

Columnist Jane Bryant Quinn agrees that investing a large share of your retirement savings in your company's stock can be incredibly dangerous. Quinn explains, "The more you depend on a single stock, the greater the risk of a ruinous loss."[121] Quinn especially fears "excessive amounts of company stock in many 401(k)s." While some stocks do well, others "will dive and not recover, or not recover for many years," she warns. The price of stock in IBM, for example, "plunged by two-thirds in the years after the 1987 crash."[122] Other big-name firms, including Gillette, Lucent, Campbell Soup, Coca-Cola, and Procter & Gamble, also suffered major losses.[123]

Yet in firms with Employee Stock Ownership Plans (ESOPs), all of an employee's money typically goes into a company's stock.[124] Quinn recommends that 401(k) participants invest no more than 5 percent of their money in their employer's stock.[125]

Sen. Barbara Boxer, a California Democrat, introduced a bill that would have limited 401(k) plans to investing no more than 10% of their assets in an employer's stock. Firms with 401k(s) lobbied against the bill, and it failed, but other members of Congress also want to limit employees' investments in their companies' stock.[126]

Discussion And Conclusions

Despite journalists' yearning for ownership and criticisms of chains, the concept of employee-ownership seems to have failed. Only four employee-owned dailies have survived, and one of the four – the Milwaukee Journal Sentinel – is threatened.

Why did employees acquire so few dailies?

Journalists who advocated employee-ownership seem to have romanticized their relationship with newspaper owners. Those advocates believed that employees deserved a larger share of newspapers' profits, and perhaps a share of newspapers' ownership as well. While promoting the concept, few acknowledged the obstacles that employee-owned dailies encounter.

First, owners' relationship with their employees tended to be remote and impersonal. Second, rather than devoting their careers to a single newspaper, journalists typically moved from one daily to another, then left the field entirely. So despite stereotypes to the contrary, dailies had few loyal, long-term employees to reward. Also, as the price of dailies escalated, it became more difficult for employees to afford them. Moreover, today's financial experts warn employees about the danger of investing too much money in an employer's stock. Finally, the advantages of selling to a chain were overwhelming -- and the failure of 71.4% of the nation's employee-owned dailies made owners leery of the concept

Why did so many employee-owned dailies fail?

To succeed, employee-owned dailies had to avoid a dozen problems. The price of a newspaper's stock had to be low, so every employee could afford it, and the stock had to be divided fairly among all of a newspaper's employees. Newspapers had to help with the financing and also had to repurchase every share when employees quit, retired, or died. Company bylaws had to make a sale difficult, perhaps by requiring a two-thirds vote (or by prohibiting shareholders from profiting from any offer). Also, although owned by their employees, dailies could not be run by committees. They needed executives with the power and vision to accumulate the capital needed for improvements, expansion, and the repurchase of stock.

Other problems were even more difficult to avoid. Publishers committed to the concept of employee-ownership were unable to ensure that their staffs remained unified and that all their successors were highly competent. Also, with fewer dailies available, those owned by their employees aroused the interest of chains eager to expand. Moreover, employees – like any other investors – might become more interested in their newspapers' profits than content.

Owners who turned dailies over to their employees during the 20th century wanted to reward them, but also to ensure their dailies' continued independence and local ownership. In the 21st century, publishers seem likely to prefer other alternatives, especially profit-sharing. Others are leaving their dailies to a trust, charity, or educational institution. To do so, owners may have to give away the fruits of their life's work, disinheriting their families.

Still, there are rewards for the agreements that succeed: evidence that employee-owned dailies do, as intended, an exceptional job of serving their communities. For years, the Milwaukee Journal was ranked among the nation's best dailies.[127] While other newspapers retrenched during the 1990s, Omaha's World-Herald remained committed to maintaining its role as a statewide newspaper and achieved a high penetration rate.[128] The St. Petersburg Times, a daily owned by a non-profit institute, also provided "a bigger news hole, lower newsstand price, and more news staff than many of its peers." Moreover, the Times' penetration rate was 10 points higher than the industry average.[129] Its employees, too, benefitted from the trust established by Nelson Poynter, enjoying exceptional working conditions and a notably high morale.[130]

Finally, newspapers' problems change from century to century. At the start of the 20th century, journalists worried about the problems of commercialization, irresponsibility, sensationalism, and bias. To solve those problems, journalists advocated endowed papers. During the 20th century, journalists worried about the growth of chains. To protect dailies' independence and local ownership, journalists advocated employee-ownership. As new problems arise during the 21st century, journalists are likely to advocate new solutions, not employee ownership.

Endnotes

1. The tally of 14 employee-owned dailies includes both The Kansas City Star and The Kansas City Times and also both the Milwaukee Sentinel and the Milwaukee Journal. The tally of the 10 that failed includes both newspapers in Kansas City and also the Milwaukee Sentinel, which was merged with the Journal in 1995.

2. John C. Busterna. "Trends In Daily Newspaper Ownership." *Journalism Quarterly*, Vol. 65, No. 4 (Winter 1988), p. 833.

3. Mary A. Anderson. "Ranks of Independent Newspapers Continue To Fade." *Presstime*, August 1987, p. 17.

4. James V. Risser. "Endangered Species." *American Journalism Review*, June 1998, p. 20.

5. Comprehensive lists of the reasons newspapers are sold appear in "Newspapers On The Block: Buyers Ready, Rules Changing" by Elise Burroughs. *Presstime*, November 1983, p. 5. The list in *Presstime* notes that, "Perhaps most common, a family may be forced to sell an inherited newspaper to pay estate taxes." For a similar list, see: "Ranks of Independent Newspapers Continues To Fade" by Anderson, pp. 16-23.

6. Virtually every expert lists inheritance or capital gains taxes as a primary reason for selling: SEE: "The Ownership Shuffle" by David B. Martens. *Presstime*, May 1996, p. 54.

7. Tax laws contribute to newspaper sales because the laws value a newspaper at the price it would fetch on the open market. In 1981, the inheritance tax dropped from 70% to 55% on estates valued at $3 million or more. A closely held business could pay the bill over 15 years, with only the interest due during the first five years. But typically, a family that owed $50 or $100 million in estate taxes could raise the money only by selling. SEE: "Ranks of Independent Newspapers Continue To Fade" by Anderson, pp. 17 and 21. SEE ALSO: "The Price of Independence" by Loren Ghiglione. *Presstime*, July/August 1996, p. 39. SEE ALSO: "The Ownership Shuffle" by Martens, p. 58.

8. Burroughs. "Newspapers On The Block: Buyers Ready, Rules Changing," p. 6.

9. "Two more family-owned newspaper companies sold." *Presstime*, June 1986, p. 98. SEE ALSO: "The Cash in the Register." *Newsweek*, Nov. 26, 1984, p. 74.

10. Ghiglione. "The Price Of Independence," p. 42. SEE ALSO: "The Ownership Shuffle" by Martens, p. 56.

11. John Morton. "Selling out for Golf and Gold." *Washington Journalism Review*, February 1986, p. 60. SEE ALSO: "Ranks of Independent Newspapers Continue to Fade" by Anderson, pp. 17-18.

12. Anderson. "Ranks of Independent Newspapers Continue To Fade," pp. 17-18.

13. For a discussion of the trend toward corporatization, mergers and public ownership, see *Leaving Readers Behind: The Age of Corporate Newspapering* ed. by Gene Roberts. University of Arkansas Press: Fayetteville, 2001. SEE ALSO: *Taking Stock: Journalism and the Publicly Traded Newspaper Company* by Gilbert Cranberg, Randall Bezanson and John Soloski. Ames: Iowa State University Press, 2001.

14. Bruce B. VanDusen. "Thomson comes to Kokomo." *The Quill*, September 1983, pp. 28-33.

15. Dennis Hale. "Chains Versus Independents: Newspaper And Market Characteristics." A paper presented to the Mass Communication and Society Division of the Association for Education in Journalism and Mass Communication at the national convention of the association held in Gainesville, Fla., Aug. 5, 1984.

16. Ghiglione. "The Price Of Independence," p. 39.

17. James D. Squires. "Plundering the Newsroom." *Washington Journalism Review*, December 1992, p. 20.

18. William A. Henry III. "Learning to Love The Chains." *Washington Journalism Review*, September 1986, pp. 15-17.

19. Robert M. Shaw. "Absentee owners: Good or bad for community?" *Presstime*, November 1983, pp. 8-9.

20. Susan Paterno. "Whither Knight-Ridder?" *American Journalism Review*, January/February 1996, pp. 19-27. Knight Ridder's image was tarnished by cutbacks during the recession of 2000-2001, however. In San Jose, Mercury News publisher Jay T. Harris quit in protest, saying he would not destroy the paper to meet profit demands. SEE: "Dimming Beacon" by Valarie Basheda. *American Journalism Review*, May 2001, pp. 24-31. SEE ALSO: "Slimming Down" by Kathryn S. Wenner. *American Journalism Review*, December 2000, pp. 38-41.

21. Barbara J. Friedman. "Public VS Private." *Presstime*, May 1986, p. 6.

22. Cranberg, Bezanson, and Soloski. *Taking Stock: Journalism and the Publicly Traded Newspaper Company*, pp. 1-15.

23. Lou Ureneck. "Newspapers Arrive at Economic Crossroads." *Nieman Reports*. Special Issue, Summer 1999, p. 14.

24. Annotated bibliographies the author consulted include *American Journalism History: An Annotated Bibliography* compiled by Wm. David Sloan. New York: Greenwood Press, 1989. SEE ALSO: *An Annotated Journalism Bibliography 1958-1968* by Warren C. Price and Calder M. Pickett. Minneapolis: University of Minnesota Press, 1970. SEE ALSO: *The Journalist's Bookshelf: An Annotated and Selected Bibliography of United States Print Journalism*, 8th ed. by Roland E. Wolseley and Isabel Wolseley. Indianapolis, Inc.: R.J. Berg & Company, Publishers, 1985.

25. Books written by and about early journalists use words that, today, are considered sexist: "*newsman*," "*newspaperman*," and "*cameraman*," for example. Other early titles also end in the words "*boy*" and "*man*." This paper never changes those words, nor other male nouns and pronouns, when they appear in direct quotations. Elsewhere, this paper uses non-sexist and more modern terms, especially "*writer,*" *reporter,*" and "*journalist*."

26. Samuel G. Blythe. *The Making of A Newspaper Man*. Philadelphia: Henry Altemus Company, 1912. Reprinted in 1970 by Greenwood Press of Westport, Conn., p. 50. SEE ALSO: "Journalism As A Career" by J.W. Keller. *Forum*, August 1893, p. 696.

27. Blythe. *The Making Of A Newspaper Man*, pp. 50-51.

28. John Morton. "Owning Your Own Smalltown Daily." *Washington Journalism Review*, December 1989, p. 49.

29. Allan Forman. "New Papers And New Men." *The Journalist*, April 16, 1887, p. 8.

30. Anderson. "Ranks of Independent Newspapers Continue To Fade," p. 18.

31. Ghiglione. "The Price Of Independence," p. 39.

32. John Livingston Wright. "Reporters And Oversupply." *Arena*. November/December 1898, p. 614. SEE ALSO: "Over-Crowded New York." *The Journalist*, July 7, 1888, p. 8.

33. William A. Croffut. *An American Procession: 1855-1914*. Freeport, N.Y.: Books For Libraries Press, Inc., 1931, pp. 129-131. SEE ALSO: *The Staff Correspondent* by Charles Sanford Diehl. San Antonio: The Clegg Co., 1931, pp. 56-58.

34. Diehl. *The Staff Correspondent*, pp. 56-58. SEE ALSO: *Gentleman of the Press: The Life and Times of an Early Reporter, Julian Ralph of the Sun* by Paul Lancaster. Syracuse: Syracuse University Press, 1992, p. 156. SEE ALSO: *The Evening Post: A Century of Journalism* by Allan Nevins. New York: Boni and Liveright, 1932, p. 528.

35. Quoted in *City Editor* by Stanley Walker. Baltimore: The Johns Hopkins University Press, 1999, pp. 5-6. SEE ALSO: *Bovard Of The Post-Dispatch* by James W. Markham. Baton Rouge: Louisiana State University Press, 1954, p. 24. SEE ALSO: *Park Row* by Allen Churchill. Westport, Conn.: Greenwood Press, Publishers, 1958, p. 250.

36. Croffut. *An American Procession*, p. 124. SEE ALSO: *It Has its Charms* by Charles W. Morton. Philadelphia: J.B. Lippincott Co., 1966, p. 208.

37. In 1888, Allan Forman, editor of *The Journalist*, observed that, "New York seems to be the journalistic Mecca toward which the eyes of all out-of-town newspaper men turn. No matter how well they may be situated in other cities, they have a yearning, secret perhaps, but none the less strong toward getting on a New York paper." SEE: "Over-Crowded New York," p. 8. SEE ALSO: "The New York Reporter." *The Journalist*, Dec. 14, 1889, p. 50.

38. Lancaster. *Gentleman of the Press*, p. 159.

39. Keller. "Journalism As A Career," p. 693.

40. Keller. "Journalism As A Career," p. 694.

41. For descriptions of reporters' insecurity and arbitrary firings, see: *To Hell in a Handbasket* by H. Allen Smith. Garden City, N.Y.: Doubleday & Company, Inc., 1962, p. 186. SEE ALSO: *William Andrew Spalding: Los Angeles Newspaperman* by William Andrew Spalding. San Marino: The Huntington Library, 1961, p. 91. SEE ALSO: *A Book About the Business* by Morton Sontheimer. New York: Whittlesey House, 1941, pp. 5-6.

42. David H. Weaver and G. Cleveland Wilhoit. *The American Journalist: A Portrait of U.S. News People and Their Work*. Bloomington: Indiana University Press, 1986, pp. 17-21 and 69-71.

43. Markham. *Bovard Of The Post-Dispatch*, pp. 94-95. Being an editor continues to be an insecure business, with editors leaving their jobs at a fast pace. SEE: "Risky business" by Susan Paterno. *American Journalism Review*, July/August 2000, pp. 37-43. SEE ALSO: "Zuckerman Unbound" by Robert Schmidt. *Brill's Content*, September 2000, pp. 93-95 & 132-135. After acquiring the New York Daily News, Mortimer Zuckerman employed five editors in seven years.

44. George Murray. *The Madhouse On Madison Street*. Chicago: Follett Publishing Company, 1965, p. 12.

45. Blythe. *The Making Of A Newspaper Man*, pp. 236-237.

46. For sample salaries around the turn of the century, see: "The Newspaper Profession." *The Journalist*, June 18, 1892, p. 10. SEE ALSO: *Way Back When: Recollections Of An Octogenarian* by Slason Thompson. Chicago: The H.G. Adair Printing Co., 1930, pp. 291-292. SEE ALSO: *I've Met The Folks You Read About* by Labert St. Clair. New York: Dodd, Mead & Co., 1940, pp. 46-47. SEE ALSO; *I Like People: The Autobiography of Grove Patterson Editor-in-Chief of* The Toledo Blade by Grove Patterson. New York: Random House, 1948, p. 86. SEE ALSO: "New York Reporters," p. 10.

47. Claude Bowers. *My Life: The Memoirs of Claude Bowers*. New York: Simon And Schuster, 1961, p. 231.

48. Quoted in *Park Row* by Churchill, p. 327.

49. Bowers. *My Life*, p. 231.

50. Ken Stewart. *News Is What We Make It*. Boston: Houghton Mifflin Company, 1943, p. 81.

51. Churchill. *Park Row*, p. 328.

52. William Salisbury. *The Career of a Journalist*. New York: B.W. Dodge & Company, 1908, pp. 520-521.

53. Keller. "Journalism As A Career," p. 700.

54. Will C. Conrad, Kathleen F. Wilson, and Dale Wilson. *The Milwaukee Journal: The First Eighty Years*. Madison: The University of Wisconsin Press, 1964, p. 177.

55. Alicia C. Shepard. "Merged In Milwaukee." *American Journalism Review*, May 1996, p. 28.

56. "Milwaukee Plan." *Time*, June 7, 1937, p. 61.

57. Elise Burroughs. "Heady Success in Cream City." *Presstime*, March 2000, p. 30. For more information about the Milwaukee Journal Sentinel's stock ownership plan, see: Http://www.jc.com/ownership.shtml.

58. Chuck Wood, public relations manager of the Omaha World-Herald. Personal correspondence with the author. Also see the World-Herald's website: http://www.omaha.com/help/newspaper.

59. Bill Roesgen. "Staying The Course." *American Journalism Review*, March 1999, p. 42.

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60. Ghiglione. 'The Price Of Independence," p. 39.

61. Martin Quigley. *Mr. Blood's Last Night.* St. Louis: Sunrise Publishing Co., 1980, p. 86.

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86. Newsom. "Employee-owned papers have mixed history," p. 37.

87. Analyst John Morton said Peoria's Journal Star – the first newspaper to create an Employee Stock Ownership Plan (ESOP) – could serve as a model for the nation's independent dailies, but also "for the 100 or so small newspaper chains that are essentially still family-owned enterprises." SEE: "Throwing Off the Chains in Peoria" by John Morton. *American Journalism Review*, March 1993, p. 52.

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89. Piers Brendon. *The Life and Death of Press Barons*. New York: Atheneum, 1983, p. 57.

90. Bill Hosokawa. *Thunder In The Rockies: The Incredible* Denver Post. New York: William Morrow & Co., Inc., 1976, pp. 364-411.

91. In 1973, 46.9% of the stock in The Denver Post was held by the F.G. Bonfils Foundation, 44.8% by the Helen G. Bonfils Foundation, and only 8.3% by the Post Employees Stock Fund.

92. Personal conversation with Bill Hosokawa, author of *Thunder In The Rockies: The Incredible* Denver Post, Sept. 5, 2000. Hosokawa, now retired, was an editor at The Post.

93. Personal communication with a current employee of The Post.

94. Risser. "Endangered Species," p. 35.

95. Of 18 publicly traded newspaper companies, most now use stock to attract, retain, reward, and motivate employees. Employees also are given – or sold – stock as part of their retirement plans. Employees acquired 7% of the stock in the Kearns-Tribune Corp., which owned the Salt Lake Tribune and four other dailies. The corporation was sold in 1997 and the stock employees held in their retirement accounts was valued at $37.3 million, making nearly two dozen millionaires. SEE: "Taking Stock: More employees, at all levels, now hold company stock" by Anna America. *Presstime*, June 1999, pp. 35-37. SEE ALSO: "Instant Millionaires" by M.L. Stein. *Editor & Publisher*, Aug. 30, 1997, p. 6. SEE ALSO: "AT&T's Plan to Sell Newspaper Adds Fuel to a Salt Lake Feud." *The Wall Street Journal*, Oct. 6, 2000, p. 1.

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102. Knight. *I Protest*, pp. 80-81.

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Teaching Media Management in the 21^{st} Century: What Curricula is Needed?

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Teaching Media Management in the 21^{st} Century: What Curricula is Needed?

Abstract

A national survey of 223 radio and television general managers identified the ways these individuals have adapted to managing multiple stations in the new consolidated media marketplace. Implications of these adjustments are discussed for broadcasting management curricula.

The findings indicated GMs are spending most of their time on financial management issues and are reliant on their department heads to effectively run the stations. Implications for curricula includes strengthening the financial management content of appropriate courses.

Teaching Media Management in the 21st Century: What Curricula is Needed?

Consolidation has changed the way many radio and television general managers conduct business. Managers of multiple properties have had to quickly adjust to the rapid changes in ownership that have taken place since the Telecommunications Act of 1996.

During the time since passage of The Telecommunications Act of 1996, the most dramatic consolidation has occurred in the radio industry where, within a few short years, the relaxation of ownership caps enabled a handful of broadcast companies to acquire great numbers of additional radio properties. For example, acquisition strategies employed by Infinity Radio (part of Viacom) and Clear Channel Communications from 1996 to 2000, led to 75 different broadcast groups merging into two companies. At the time of this writing, Infinity owned over 500 radio stations while Clear Channel owned approximately 1,200.

Recently, television stations have also been able to combine ownership into duopolies where a single company owns two stations in the same market. This type of co-ownership would not have been allowed prior to 1999 when the FCC loosened ownership restrictions even further. Television duopolies are now emerging in medium and large markets around the country. The number of duopolies is regularly growing and is currently estimated at over 100.

This paper will discuss the results of two national surveys that identified some of the ways radio and television managers have adapted to the new marketplace, and will consider implications of these changes for media management curricula.

LITERATURE REVIEW

The importance of teaching the business and management aspects of broadcasting is widely understood. While little has been written specifically about pedagogical responses to media consolidation, there is a good amount of ongoing scholarship dealing with journalism and mass communication curriculua as it relates to the general business environment. Some of this research involves surveys of educators and practitioners, while others offer personal perspectives on the discipline's future (Carter, 1995; Cohen, 2001; Deuze, 2001).

Martin and Butler (2000) suggest the changing perception of careerism away from a linear progression up the chain of command, to a type of free agency mentality, should be reflected in all management curricula through an emphasis on personal resiliency and self-development. A similar essay indicates the United States is perceived as being ahead of other nations' education systems in making these types of management curriculum adjustments (Kumar & Usunier, 2001).

When broadcast practitioners are surveyed, results point to a preference for a strong business emphasis in media curricula. A survey of public relations executives found respondents believed business and ethics classes should be part of public relations curricula, as should classes teaching thinking skills.[1] The study found that respondents who graduated with a business degree felt no need for additional education in public relations, mass communication, or journalism. However, respondents who held a degree in one of the communications areas felt a need for further business training in an academic environment (Guiniven, 1998). These results are consistent with personal interviews with radio industry executives, which call for an increased emphasis on the business side of radio in communication and journalism curriculum (Keith, 1999; Keith 1998).

This present study builds upon a large research project involving two national surveys of radio and television station general managers. The response of 223 individuals provides a snapshot of management at the local level in an ongoing era of media consolidation. The picture the managers provide of their new working environment can be helpful in identifying some of the things educators should address in media curricula. The research question asked here was:

RQ - In terms of time management, delegation, and communication strategies, what are the characteristics of consolidated media management that might influence changes in broadcasting curricula?

METHODOLOGY

The data for this study came from two national surveys, one of local radio station cluster general managers, and one of every known local television station duopoly general manager in the United States at the time of the survey. The radio GM survey was a census of all the general managers who managed three or more stations in one of the 25 largest radio groups during 2001, as defined by Broadcasting & Cable magazine. A census of the 318 identified eligible respondents was conducted during December 2001 and January 2002.

The television GM survey was conducted during the summer of 2002 as a census of all identifiable individuals at the time who managed two or more television stations. The Internet directory 100,000 watts was used to identify potential respondents (100kwatts.tmi.net). This directory provides information on over 1900 television stations in the U.S. from Nielsen's 2001-2002 Designated Market Areas. Every market in the directory was analyzed to identify stations that were co-owned or part of a Local Marketing Agreement (LMA). As these stations were identified, their web sites were accessed to determine if one individual managed both stations. Such individuals were then added to the census' respondent list. This process revealed 101 television GMs eligible to receive the survey.

Pretest and Questionnaire Construction

Prior to administering each census, the surveys were developed through one-on-one personal interviews and pretests. Personal interviews were first conducted with radio and television general managers in three different media markets to identify the key issues of managing newly consolidated media properties. From these interviews items were drafted for the written questionnaires, and were later pre-tested with other groups of radio and television GMs.

The finished surveys developed from revising the items on the pre-tests.

Both of the final surveys were constructed in booklet form with introductory questions regarding market size, number of employees, and years of management experience. Next, the GMs were asked about the time they spent on things such as paperwork, sales, news, programming, personnel, and marketing. Finally, each survey consisted of a series of Likert scale questions measuring attitudinal perspectives unique to each medium. The television survey consisted of 50 items, the radio survey had 49 items.

Prior to the mailing of both surveys, respondents were contacted by telephone to describe the questionnaire and ask their participation. This initial contact was made in an attempt to have the survey recognized when it arrived at the stations, and to provide a unique contact that would enable a higher return rate.

Dillman (2000) was used as a framework of implementation to maximize response rates. Each survey was distributed in two waves with a postcard reminder between each wave, ten days after the first wave and two weeks before the second wave. The second wave of surveys was sent to all non-respondents in the first wave. For the television census a third wave was sent by priority mail three weeks after mailing the second wave. Because of cost considerations, a third wave was not utilized in the radio census.

RESULTS

There was a combined 53% response rate for the two surveys; 48% for the radio portion and 81% for the television portion.[2] Eighty-four percent (84%) of all managers were male; 85% of the radio GMs and 81% of the TV GMs. The radio general managers averaged 12 years of GM experience, the television GMs averaged 8 years.

Each GM was asked a series of questions about the number of full-time and part-time people employed at their station. It is of little surprise that consolidation has brought changes in the makeup of the workforces at these radio and television properties. Here it was found that personnel efficiencies have generally come at the staff level. While some upper level and mid-level management positions were lost during consolidation, the greatest pruning came at the lower levels.

Table 1 shows 47% of the GMs indicated the number of their full-time employees had decreased since consolidation. Only 20% indicated they had increased their hiring. At the same time, only 18% of the respondents indicated the number of department heads had decreased, while 58% said the number of department heads had stayed about the same. This implies the greatest efficiencies have occurred at the lower staff level positions (talent, production, etc.) because the level of part-time employees has also stayed about the same (48%).

Respondents were asked to rank-order various items they felt were most important to them for their own success in managing their duopolies and clusters. Table 2 shows how those seven items were ranked. For both television and radio, the GMs ranked the quality of their department heads as the most important element to their own success. In fact, the majority of respondents had this item ranked as the number one item on their lists - 65% for television and 51% for radio. No other single characteristic came close. The radio GMs seemed to place a greater emphasis on multi-tasking than did the television GMs, but - essentially - there was broad agreement on the ranking of all the characteristics. Generally, it appears GMs were placing a great reliance on their department heads to effectively manage various responsibilities of the combined properties. This is a critical role for the middle managers to perform because the day-to-day operations of multiple stations are being handled by fewer people. Given the relatively high value the GMs placed on motivational skills (ranked #2 for both media,) they apparently also see themselves as responsible for motivating and directing middle managers with their responsibilities.

If the general managers are managing more properties with fewer people, while relying on the abilities of middle managers to handle many details, with what activities are GMs spending their time? Table 3 shows the results of a question that asked the respondents to indicate the amount of time they spent with various job facets during a typical week.[3] For both groups, sales was the number one priority, with the majority of time allocated every week to this activity. This is followed by programming and time spent with budgets and financial statements. The sales and budgeting activities alone combined for 49% of general managers' weekly activities.[4] Most of the weekly hours and minutes are spent with the financial affairs of the operations.

How do general managers communicate with their staffs? Respondents were asked to rank different communication devices in the order used most often. Table 4 shows e-mail is the clear method of choice, with 51% of the respondents ranking it as their single most-often-used communication device. This was followed by face-to-face communication by 32% of the respondents.

From all the above information a picture emerges of typical radio and television station general managers spending most of the day with the financial aspects of their properties. They rely heavily on the middle managers directly below them to handle their stations' daily operations. They use e-mail to communicate with others. However, they also place a premium on face-to-face communication to accomplish the motivational and direction-oriented tasks of their jobs.

DISCUSSION

Given the results of these surveys, and the conditions of the current media environment, we suggest educators take a look at how well their curricula address two areas: the financial skills needed of media managers, and the importance of interpersonal communication skills.

The consolidation of media properties has enabled multiple stations to be situated under one roof at single locations. While this phenomenon has increased economic efficiencies, it has also caused a noticeable change in the management structure inside those stations. Because improved economic efficiencies have served to focus even more attention on the bottom line, general managers are under more pressure than ever before to maximize performance.

In the past, daily budget management activities of broadcast stations were usually administered from the top down, often from the offices of the GM or a comptroller. However, consolidation has pushed many of those budgetary decisions down to the middle management level because GMs can no longer account for every dollar of every department in every station.

More budgetary decisions are now being made at the department level. Therefore, middle managers need stronger financial management skills akin to those of the general manager. These department heads must also be fully cognizant of how their department's financial performance fits into the corporation's overall goals. This new level of responsibility calls for skills that most previous generations of department heads have not needed. It is for these middle management positions that many students will ultimately compete. Those who hope to achieve management positions will need to have a broader background in fundamental financial management than is currently offered by most programs.

As was discussed earlier, changes that have taken place in the broadcasting industry since 1996 have moved the study of management to the center of meaningful broadcast curriculum. Because of the information presented here, management courses should now include a strong component of financial skills needed by management in this new environment.

Most radio and television degree plans offer broadcasting students opportunity to gain basic production and talent experience, along with courses such as law and programming. These classes are usually supplemented with a host of elective credits. This arrangement may no longer be adequate preparation for students anticipating media careers. Classes that offer students practical understanding of media financial statements - along with a working knowledge of the investment market - now seem fundamental to the skills necessary for survival in the new business oriented media environment. Some of this content may need to be borrowed from business curricula and customized to the unique situations in broadcasting.

For example, things such as the time value of money, capital budgeting, stocks and bond valuations, financial statements and ratios, and cash flow analysis are all elements introduced in many media management classes.

However, simply introducing these concepts may no longer adequately serve students. Upper level broadcast managers are now dealing with these elements on nearly a full time basis. Mid level managers are increasingly dealing with financial issues, and will need a strong working knowledge of these things to be prepared for upper management themselves at some point.

Broadcast management courses should respond to this by including numerous financial case studies and problem solving assignments in the curriculum. This would give students the opportunity to manipulate the various types of financial statements, and learn to analyze, interpret, and make decisions using financial data. This approach would place a greater emphasis on the experience of financial management than likely currently exists in media management courses. In preparation for teaching this material, many instructors themselves would need to revisit the specifics of broadcasting financial statements.

Second, even though GMs apparently are delegating more responsibilities than before, they place a priority on motivational skills. Face-to-face conversations are the second most popular form of interpersonal communication after e-mail. These personal conversations are likely used by general managers to motivate and direct subordinates.

It is rare to hear of broadcasting and journalism classes that cover leadership and motivational skills to a great extent. Perhaps it is time to envision how these acquired skills may be introduced to our students. Classes that allow sufficient time for students to identify, practice, and develop individual leadership styles and motivational techniques seem appropriate to the current media management environment.

For example, Covey's Seven Habits of Highly Effective People is perhaps the best known leadership model of its type. Likewise, Maslow's Hierarchy of Needs is the most widely recognized motivational model. Numerous models abound that teach how to identify and respond to different personality types. These ideas should not simply be introduced in classes, but should be explained and reinforced through activities and assignments.

The point again is that these techniques need to be elaborated on in our classes through assignments and activities so that students learn how to apply them in practical ways. Students who leave management courses with a few well understood strategies will be a step ahead of those who lack such skills.

In an industry where all the practical skills of traditional business management are more emphasized, media students should have the opportunity to develop common business sense as it relates to the unique circumstances of broadcasting and journalism. As the radio and television industries have become more business oriented, and less personality and talent oriented, our curricula should reflect this shift. In order to understand the nature of broadcasting, students need to understand the details of balance sheets and leadership philosophies as much as they need to know the concepts of set design and audience targeting.

Media educators have the opportunity to present to the industry a generation of managers who understand broadcasting's unique position in the American economic and social systems. Media managers should possess an interesting combination of financial, marketing, and interpersonal proficiencies along with the traditionally required media industry knowledge and experience. Students will find the career time clock to middle management opportunities is quicker for those who have a working understanding of these areas. Broadcast management courses should be evaluated to ensure the needed proficiencies for the new middle management positions are being provided for. Here we have identified two skill sets: financial management and interpersonal communication.

The limitations of this study include the usual concerns with self-reported data. Large scale surveys usually are not effective in identifying individualized circumstances and perspectives that enrich deeper understanding. Also, because the radio portion of the study was limited to the 25 largest companies at the time, the perspectives of medium and small market radio managers were not measured.

Media careers remain among the most interesting and challenging for students. The changes in the industries during the last six years have been unprecedented in terms of how media properties are organized and managed. For students to be prepared for the middle management level careers many will step into within a few years, the classes they take now must prepare them to deal with the business side of the business more than ever before.

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Table 1
Changes in Personnel Since the Individual Stations Were Combined Into One Group

"Since you began managing this group of stations has the number of (full-time employees, part-time employees, department heads) increased, decreased, or stayed the same?"

	Radio n=154	TV n=69	Combined n=223
Full-time Employees Increased	23%	14%	20%
Full-time Employees Decreased	45%	49%	47%
Full-time Employees Stayed the Same	32%	36%	33%
Dept. Heads Increased	25%	17%	22%
Dept. Heads Decreased	22%	10%	18%
Dept. Heads Stayed the Same	52%	72%	58%
Part-time Employees Increased	36%	20%	31%
Part-time Employees Decreased	23%	12%	19%
Part-time Employees Stayed the Same	39%	68%	48%

TABLE 2
Rank Order of The GMs' Most Important Elements for Success

"Please rank the following characteristics in order of importance for you to effectively do your job."

	Radio Rank*	TV Rank*
Quality of your department heads	1 (51%)	1 (65%)
Your ability to Motivate	2 (18%)	2 (15%)
Your ability to multi-task	3 (20%)	5 (3%)
Your ability to Delegate	4 (5%)	4 (3%)
Your time management Skills	5 (11%)	3 (10%)
Your finance skills	6 (3%)	6 (2%)
Other	7 (1%)	7 (2%)

* Percentages in parentheses indicate the proportion of respondents that ranked the characteristic as number 1. The radio percentages total greater than 100 because several of the respondents ranked more than one characteristic as tied for number 1.

TABLE 3
Amount of Time GMs Spend Each Week on The Facets of Their Jobs

"In a typical week, what percentage of your time do you spend working on . . ."

	Radio n=154	TV* n=69	Combined n=216
Sales	41%	28%	37%
Programming	17%	8%	15%
Reviewing budgets and financial statements	12%	11%	12%
Marketing & Promotions	12%	11%	12%
Non-traditional Revenue	6%	7%	7%
News	2%	15%	5%
Personnel issues		11%	na
Engineering & Technical		8%	na
Other	6%	7%	6%

*Percentages for the TV respondents total over 100 because some respondents' individual estimates totaled over 100.

TABLE 4
GMs' Use of Communication Devices
Rank Order of Most-Often-Used

"Please rank the following communication devices in the order of what you use the most." *

Rank	Radio n=154	TV n=58	Combined n=212
1. E-Mail	53%	45%	51%
2. Face-to-Face	32%	33%	32%
3. Telephone	14%	21%	16%
4. Paper Memo	2%	2%	2%
5. Other	1%	1%	1%

* Percentages indicate the proportion of respondents that ranked the device as number 1 on their lists. The percentages total greater than 100 because of rounding.

Endnotes

[1] Hoag, Brickley, & Cawley, 2001, and Lind & Rockler, 2001 present media management teaching activities designed to stimulate students' thinking abilities.

[2] Of the 318 eligible radio respondents 154 returned a survey; of the 101 eligible television respondents 69 returned a survey. The higher return rate for the television portion may have been because the creation of television duopolies is a more recent phenomenon, creating more interest among the TV GMs than their radio counterparts.

[3] Two of the items (personnel issues and engineering & technical) were included only on the television survey because they did not show up as important to the radio GMs during the preliminary personal interviews. Technical issues may be of special importance to TV GMs with the ongoing transition to the digital spectrum. Radio GMs are facing no such immediate challenges.

[4] Radio general managers spend more time on programming issues (probably because they manage more stations) and television general managers spend more time on news and personnel (probably because local news is a major source of income and community identity for TV stations.)

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An Examination of How Horizontal Integration of Daily Newspapers Affects Prices and Competition

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Abstract

This study examines a strategy that creates clusters of commonly-owned, geographically adjacent newspapers. Results show one-third of all United States dailies are part of a cluster. As some newspapers are added to clusters, other clustered dailies are being taken out of business. Samples of clustered and non-clustered dailies were compared. The clustered newspapers competed less aggressively and had higher advertising and subscription prices than the non-clustered papers.

Introduction

The First Amendment of the U.S. Constitution encourages vigorous competition in the marketplace of ideas as the best way to find truth in a public debate. Economists value vigorous competition among different firms as the best way to allocate scarce resources among competing consumer demands. United States newspapers operate in markets for ideas that are protected by the First Amendment. Newspapers also operate in economic markets for goods and services. But for decades newspaper competition has declined while the concentration of newspaper ownership has increased.[1]

These trends accelerated in the 1990s, "the busiest decade ever for newspaper acquisitions."[2] From 1990 to 1999 daily newspapers changed hands in 856 separate transactions, 64 more than the 792 daily acquisitions during the previous two decades.[3] Much of this activity was driven by an increasingly popular strategy where one owner assembled a cluster of geographically adjacent dailies by acquiring newspapers that previously had separate owners.[4] Newspaper markets are geographically defined and newspaper clusters, the industry argues, can reduce production costs, provide regional coverage for advertisers, and concentrate a group's newspapers in thriving markets.[5]

The ownership of newspapers has been the subject of much study and debate.[6] Much of this research asks how public or private group ownership affects newspaper content and other variables. However, a single group often owns newspapers in separate markets. Effects of group ownership are moderated by competition in markets where the group's newspaper operate.[7] Clustering raises questions about how group ownership affects competition in markets were individual newspapers operate.

Researchers argue clustering may stifle competition that exists when adjacent newspapers are separately owned.[8] One study concluded clustering is associated with a reduction in competition between daily newspapers in adjacent counties. This "circulation gerrymandering,"[9] researchers argue, could result in higher advertising prices and perhaps lower the quality of news coverage.[10] Lacy and Simon describe clustering as potentially "promoting anticompetitive actions across county lines."[11] They call for the U.S. Justice Department to investigate whether newspaper sales that create clusters violate anti-trust laws intended to protect the public by preserving competition. A separate study of competition for newspaper advertising did not directly examine clustering, but said the need for additional research into clusters is "urgent."[12]

Lacy and Simon used random samples to estimate the extent of clustering and to examine competition by clustered newspapers. They did not examine clustering's effect on prices.[13] No other published studies of newspaper clustering were found.

The current study (a) expanded the theoretical explanation of why clusters are created, (b) conducted a census of clustered newspapers during two years a decade apart to describe their extent and characteristics, and (c) compared advertising and circulation prices at clustered newspapers with a sample of non-clustered papers.

Reasons for Clustering

Horizontal Mergers. Newspapers operate in geographic markets defined by the extent of their circulation. Newspapers compete when one paper crosses another's circulation boundary and enters its rival's market. The acquisition of one newspaper by another in an adjacent market is a form of "horizontal integration"[14] that eliminates competitors.

Horizontal mergers can result either from normal business motives or from attempts to profit by reducing competition.[15] Firms assembling newspaper clusters cite normal business motives, such as reducing production costs, as reasons for their strategy.[16] However, research suggests clustering also reduces newspaper competition.[17]

Economies of Scale. Horizontal mergers reduce costs if they create economies of scale.[18] Economies of scale exist when a firm's long-run average costs per unit decline as more goods are produced. Economies of scope are a special subset of scale economies. When the cost of separately producing at least two goods is higher than the cost of producing those goods together, there are economies of scope.[19] Economies of scale can be associated with the number of units produced,[20] with the size of equipment used to produce those units,[21] or with interactions in the production of multiple products.[22]

Empirical studies beginning with Rosse[23] have found evidence that newspapers enjoy scale economies. Lacy and Simon suggest there are product-specific economies in circulation.[24] Studies also have reported what appear to be economies associated with size,[25] and what appear to be economies of scope from the production of "circulation and news at a single plant."[26] Another study found indirect evidence of what appear to be economies of scale associated with increases in circulation.[27]

However, Scherer and Ross state that using mergers to expand existing economies of scale is difficult when production facilities already exist.[28] A firm may find it more efficient to take the newly acquired plant out of business. The acquiring firm can then realize scale economies by quickly rearranging the production of similar products in a single plant, or by replacing separate production facilities with new plants.[29]

Newspaper companies that create clusters have argued they are trying to rearrange production processes to gain economies of scale.[30] These efforts include printing more than one newspaper on a central press, consolidating the production of news or advertising, and offering regional placement of advertising across clustered newspapers.

Efforts to create economies of scale and lower production costs at clustered newspapers may alter the distribution of those newspapers. Economic theory suggests why and how such changes might reduce newspaper competition while raising prices in those markets.

Newspaper Competition. Economic theory states that in perfectly competitive markets -- where nothing prevents the entry of new competitors -- prices are determined by overall supply and demand. If individual firms charge more than the market price, competitors will undercut them or new firms will enter the market and do the same.[31] This implies that firms in less than competitive markets have some influence over the prices they charge.

Scale economies are one barrier to the entry of new firms in a market because incumbent firms enjoy lower costs as their production increases. Figure 1 shows that newspapers entering a market will not produce enough copies to reach this minimum cost if the incumbent firms serve most of the existing demand. Scale economies are one reason for the long-term decline in head-to-head competition in daily newspaper markets.[32]

However, newspapers may still face indirect competition. Such competition is important because newspapers are joint products that provide information, ideas and entertainment to an audience, and then sell advertisers access to that audience.[33] This makes advertising prices dependent on the newspaper's ability to attract an audience. Competition for audience may exist in markets with indirect competition so long as readers can choose different newspapers.[34]

The umbrella model describes indirect competition between layers of newspapers.[35] Newspapers in this model are not perfect substitutes. However, the model suggests regional metropolitan dailies, one layer, compete with satellite-city newspapers that emphasize local coverage, a second layer. Regional dailies may also compete with suburban dailies, which are a third layer. A fourth layer of competition includes weeklies, shoppers and specialized newspapers. National dailies are a fifth layer of competition, and group-owned suburban newspapers make up a sixth layer.[36]

A study of 900 suburban communities failed to support the umbrella model.[37] The study concluded differences in the structure of central city newspaper markets did not explain the presence or absence of suburban newspapers or their circulation patterns. However, the study did not examine advertising competition between central city and suburban newspapers.[38]

Five other studies supported the umbrella model. The first study surveyed editors and publishers at Southwestern newspapers who reported competition between three layers of newspapers.[39] A second study of 114 newspapers found that the intensity of umbrella competition positively influenced the size of the news hole and the amount of local news coverage.[40]

A third study found only a slight decline from 1983 to 1988 in the number of U.S. counties with multiple dailies in different layers of the model.[41] In 1988 about 44% of all U.S. counties had dailies from at least two layers of the umbrella model, and about 47%

of all U.S. counties had multiple dailies from the same layer of the umbrella model.[42] The authors concluded the newspaper industry "was far more competitive than many have thought, and it was not declining in that competitiveness."[43]

A fourth study, of non-metropolitan counties in Michigan, found intense competition between satellite dailies and weeklies, and noticeable competition between satellite dailies and metro dailies.[44] The Michigan study was extended throughout the United States using a random sample of 381 counties, and this fifth study also found competition between different layers.[45] This unpublished study concluded umbrella competition varies between metropolitan and non-metropolitan areas, with paid versus free weekly circulation an important intervening variable.[46]

Reducing Competitive Pressure. There is evidence many newspapers face indirect competition or the potential for such competition. The theory of monopolistic competition suggests newspapers that differentiate themselves by providing unique information or advertising[47] may to some degree isolate themselves from the effects of competition so they can raise prices above costs.[48] However, relatively high prices still will convince consumers to accept the imperfect substitute of another newspaper firm's differentiated product. Economic theory also argues that even potential competition can constrain price increases because firms risk attracting new competitors if the difference between costs and prices is large enough.[49]

Newspapers can therefore be expected to look for strategies that allow them to reduce the pressure of indirect competition. Clustering, economic theory suggests, is one way to do that.

Figure 1 shows when newspapers produce enough copies to reach the Minimum Efficient Scale (MES), they enjoy lower unit costs than newspapers which cannot produce a large enough "lump" of circulation to reach the MES. However, lumpiness is less of an advantage when transportation costs contribute significantly to a product's final cost.[50] This is because customers farther from a company's plant usually pay higher prices to cover transportation costs. Competitors then can enter the market in areas where transportation costs are high enough to be undercut, allowing the entering firm to earn a profit.

Newspapers incur substantial transportation costs distributing copies to individual subscribers, and frequently are forced to increase subscription or advertising prices for copies circulating far from the printing press. One study showed that Gannett newspapers in the 1970s reduced circulation that was costly to maintain, resulting in increased revenues and profits.[51] However, the study did not directly measure competition's effects on the changes in circulation.[52]

Firms can solve the "lumpiness problem"[53] by locating new plants at the edge of territories served by existing plants. This limits competitors' ability to undercut the firm's prices. Newspaper clusters, in other words, may result from a strategy to deter competition. Instead of paying high transportation costs to circulate newspapers in more distant areas, companies acquire existing newspapers in those areas. The acquisition of these newspapers reduces transportation costs, allowing the cluster to increase circulation without significantly increasing prices. More distant competitors find it harder to sell large enough "lumps" of circulation to reach the MES.

Effects on Prices. Theory suggests clusters allow newspaper firms to extend their markets and deter the entry of new competitors. Clustering may also offer advantages because of interactions between newspaper advertising and cover prices.

Advertisers buy access to the newspaper's readers while readers are, in part, buying newspapers to read the ads. This suggests a negative relationship between advertising prices and cover prices.[54] If cover prices decrease, the newspaper's circulation increases. This makes the newspaper more attractive to advertisers, enabling it to raise advertising prices. However, reducing circulation prices also reduces revenues. So decreases in circulation price must be more than offset by increases in either advertising sales or prices.[55]

In other words, changes in reader or advertiser demand for a newspaper affect the newspaper's earnings. If advertising sales decrease, circulation prices must be raised to make up for the lost revenue, and vice versa. Interactions between the demand for advertising and circulation require that newspapers protect their ability to attract both readers and advertisers. From this perspective, clustering may be a strategy that protects newspapers from competition in both markets so they can maintain higher prices and profitability.[56]

Lacy and Simon found clustering is associated with decreased newspaper competition, but did not measure prices.[57] Shaver and Lacy examined effects of competition from different media on advertising lineage at 40 newspapers, but did not include a measure for clusters.[58] The study concluded dailies were the strongest competition for the total number of lines sold, but other media also competed for some forms of advertising.[59] Fu found evidence that clustering is associated with higher advertising prices.[60] Fu's unpublished study also concluded clustering makes readers less sensitive to changes in the cover price of a newspaper.[61] However, the study did not control for competition from other newspapers. Therefore, theory and empirical studies suggest clustered newspapers may be able to charge higher advertising and cover prices than competitive newspapers do.

Effects on News Coverage. Clustering may also affect the quality of news coverage. The financial commitment model developed by Litman and Bridges[62] and formalized by Lacy[63] states: (1) increased competition leads to increased spending on news coverage, and (2) increased spending results in an increase in the quality of news coverage which (3) increases reader utility resulting in (4) increased circulation and improved market performance by attracting more advertising. Empirical tests support the financial commitment model.[64]

As noted earlier, a study of the umbrella model concluded competition is positively associated with space devoted to news and local news coverage.[65] A second study of 21 large circulation newspapers concluded increased competition was associated with a lower workload for reporters and better balanced news stories.[66] A third study of 11 publicly-owned newspaper companies found spending at newspaper divisions increased at companies with a higher proportion of dailies facing competition.[67] A fourth study of 64 newspapers owned by a group which emphasized high profit margins found the papers had lower circulation than a control group, and that this gap increased over time.[68] However, the study did not directly measure quality.

Two other studies suggest newspaper competition may also influence political behavior. The first study of 92 U.S. counties found a positive association between newspaper competition and the diversity of responses to a survey question asking about the most important issue facing the United States.[69] The second study, of 254 gubernatorial and U.S. Senate campaigns, found newspaper competition was associated with closer, more competitive elections.[70]

Concerns about Clustering. Lacy and Simon's original study cited newspapers shedding marginal circulation, the financial commitment research, and effects of newspaper competition on politics as reasons to study clustering.[71] Economic theory bolsters these concerns by suggesting clustering is more than a strategy for reducing production costs. Clustering may also be intended to deter competition, allowing newspapers to raise advertising and subscription prices. The current study partially replicates, then extends Lacy and Simon's[72] examination of newspaper clusters to determine whether the characteristics and behavior of clustered newspapers are consistent with economic theory.

Hypotheses

Lacy and Simon estimated 15% to about 21% of all United States counties had clustered newspapers in 1993.[73] However, the population of clustered newspapers has not been described in the scholarly literature. Therefore, the current study will first identify and describe the population of clustered newspapers in the United States. The current study will also determine if that population is increasing or decreasing, an issue that Lacy and Simon did not resolve.[74]

Hypotheses. Lacy and Simon asked if clustered newspapers were less likely to compete across county lines, and found evidence this was the case.[75] Theory suggests clustering allows newspaper companies to extend circulation without incurring the extra costs associated with extending the circulation of an individual newspaper:

H1: Clustered newspapers are less competitive than non-clustered newspapers.

Lacy and Simon also asked if clustered newspapers had lower circulation penetration outside their home counties than non-clustered papers, and found evidence this was the case.[76] Theory suggests a newspaper cluster extends a company's market without forcing members of the cluster to extend circulation into areas where costs are high enough to allow competitors to profitably undercut them:

H2: Clustered newspapers have lower circulation penetration outside their home counties than non-clustered papers.

Results from Lacy and Simon's study[77] and the theoretical description of clustering's effects suggest three additional hypotheses. First, if clustering allows newspaper companies to (a) extend their markets without extending the circulation of individual newspapers and (b) deter the entry into those markets of competing newspapers, then:

H3: Clustered newspaper markets are less competitive than non-clustered newspaper markets.

Second, the theoretical discussion explains that if (a) competition declines and (b) barriers deter the entry of new competitors, incumbent firms can raise prices without seeing their advantage competed away. Studies suggest newspapers compete for some kinds of advertising,[78] and that clustering is associated with higher advertising prices:[79]

H4: Clustered newspapers charge higher advertising prices than non-clustered newspapers do.

Third, advertising prices are a function of circulation since advertisers buy access to newspaper readers. Circulation, in turn, is a function of prices readers pay. If clustered newspapers face less competition for readers, they could charge higher circulation prices. Clustering may also allow newspapers to reduce costly, more distant circulation, a factor which might moderate subscription price increases. However, if clustering deters competitors from entering a newspaper's market, clustered newspapers still could be expected to increase prices until they begin losing readers valued by advertisers:

H5: Clustered newspapers charge higher subscription prices than non-clustered newspapers do.

Method

Scope of the Study. Lacy and Simon examined clustering trends in 1983, 1988 and 1993 using a random sample of 405 U.S. counties.[80] The current study examined clustering trends in the 1990s for the entire population of clustered newspapers in the United States. Some of the analysis compared a sample drawn from this population with a sample of non-clustered newspapers.

Information about clustered newspapers was collected for 1988 and 1998, the most recent year with complete data when the study began. This 10-year period is long enough to allow for changes in ownership as new clusters form and old ones are reconfigured. Ten years is also long enough to allow for changes in capital investments, such as realignment of production to achieve economies of scale, that might affect the economics of clusters. A long-run comparison also provides a more robust examination than a single-cross sectional analysis.

Defining Clusters. Lacy and Simon studied clusters as intercounty ownership – where one company owned newspapers in adjacent counties.[81] However, the theoretical description of clustering as a form of horizontal integration that extends a newspaper's market suggests this definition is too limited. The current study defines clusters as commonly-owned newspapers operating in geographically adjacent markets.

Local newspapers typically have their largest market share in the county where they are published. Therefore, the newspaper's core market -- its home county -- was used to identify clusters. Newspapers were operating in adjacent markets if they were (a) operating in separate towns within the same county or (b) in counties with a common boundary.[82]

Clustered newspapers were identified from listings of group-owned newspapers and their locations in the *Editor & Publisher International Year Book* for 1989 and 1999.[83] Much of the information in these publications is for the preceding year. Maps were then used to identify commonly-owned newspapers in the same or adjoining counties.[84]

Data about each newspaper's circulation, the price of a Standard Advertising Unit (SAU), and the annual subscription price were gathered from the International Year Books.[85] These data were used to describe the population of clustered newspapers. Information about changes in the publication status of clustered newspapers was gathered from *Editor & Publisher International Year Book* for each year from 1988 to 1998, and from issues of *Presstime* magazine.

Data for Inferential Tests. The distribution of circulation and subscription prices in the population of clustered newspapers had a substantial positive skew. Numerous newspapers in 1988 and 1998 had circulation more than three standard deviations from the mean. Eliminating outliers exposed new outliers, and the skew remained after 25% of the population was eliminated.

An alternative approach identified outliers using boxplots and normal probability plots.[86] The largest 3% of clustered newspapers was eliminated in 1988 and 1998. The plots still showed outliers, but they appeared close enough to other data points to draw a sample.

A random sample of 200 clustered newspapers to test hypotheses was selected each year from the study population of clustered papers.[87] A control group of 200 non-clustered newspapers was also selected randomly each year from states where clustered papers were located.[88] Differences between these groups were evaluated with *t*-Tests.

Detailed information about circulation in each sample newspaper's market – defined as all counties where it circulated -- came from Standard Rate and Data *Circulation* listings.[89] Circulation categories included county-by-county information for each clustered and each control newspaper. For clustered newspapers, a second category was circulation from other members of the cluster because this does not represent competition. A third category was circulation for all other daily newspapers competing with either clustered or control newspapers.[90] A fourth category was weekly newspaper circulation, also assumed to compete with both clustered and control papers.

Results

Population of Clustered Newspapers. Table 1 describes the population of clustered papers in each study year.

Table 1 Goes About Here

There was a net increase of 55 clustered dailies from 1988 to 1998. Clusters included small local and large regional newspapers in both years, with the average circulation of clustered newspapers under 30,000 copies. However, there was a 16% increase in average circulation size during the study. A substantial increase in the variance of circulation indicates an increase in the distribution of size among clustered papers.

There was a slight decrease in average cluster size, apparently reflecting the 27% decline in the upper limit of cluster sizes. Distance in miles between clustered papers was calculated only for samples used in the inferential analysis. These results show no change in average distance, and a substantial decrease in the variance of distance. Clusters became smaller and more compact during the study.

Table 1 also shows clustering spread to three more states during the study. The number of newspaper groups with clustered newspapers was stable.

However, the net increase of 55 clustered dailies tells only part of the story. A comparison of newspapers that were clustered in both years identified 131 clustered papers in 1988 that were not part of a cluster 10 years later. This means a total of 186 newspapers were added to clusters after 1988 to produce the net gain of 55. This supports suggestions that clustering is a popular strategy.

Only 51 of the 131 dailies removed from clusters were still listed as publishing in 1998.[91] Table 2 shows what happened to the remaining 80 papers. Two-thirds of these dailies merged with another newspaper or went out of business. Others converted to weekly publication. Almost all were in the hands of their 1988 owners when they left the daily rolls.

Table 2 Goes About Here

These changes in the composition of clusters had a substantial effect on the newspaper industry. Newspaper Association of America figures show that 153 United States dailies ceased publication between 1988 and 1998. Table 3 shows the 80 clustered dailies that ceased publication accounted for 52% of this total.

Table 3 Goes About Here

The overall decline in dailies was accompanied by a substantial increase in the proportion of United States newspapers that are part of a cluster -- one-third of all newspapers were clustered by 1998.

Differences Associated with Clusters. As described in the Method section, random samples of 200 clustered newspapers were selected each study year from a subset of the population. The 1988 sample was selected after excluding 12 clustered dailies with circulation of more than 100,000. The 1998 sample was selected after excluding 15 clustered dailies with a circulation of more than 106,000. Equal size samples of control newspapers were selected each year from states where clustered newspapers were located.[92]

Table 4 Goes About Here

Hypotheses were explored with *t*-Tests of differences between samples of clustered and control newspapers.[93] Table 4 shows clustered newspapers circulated in fewer counties outside their home counties in both study years. Clustered newspapers also averaged about half as much penetration outside their home county as the control papers did, although this difference was less pronounced in 1998. These results replicate Lacy and Simon's findings.[94] These results also support H1 that clustered newspapers are less competitive, and H2 that clustered newspapers have less circulation penetration outside their home counties.

Table 5 compares differences in circulation penetration of newspapers in clustered and non-clustered markets.

Table 5 Goes About Here

Clustered newspapers had significantly smaller market shares than control newspapers in did in 1988 and 1998. However, circulation from other members of the cluster added about 7% to the market share of clustered papers in both years. This additional circulation meant clusters in the samples averaged 31% penetration in both 1988 and 1998, or about 2% to 3% more than control papers each year.

The average market share of competing daily newspapers was also lower in clustered markets during both years of the study, and the difference was significant in 1998. Weekly penetration was lower in clustered markets both years, but the difference was not significant. Overall, Table 5 supports H3 that clustered markets are less competitive than non-clustered markets.

The last two hypotheses predict clustered newspapers charge higher advertising and subscription prices than non-clustered newspapers. Tests of these hypotheses used prices listed in the International Year Books and prices adjusted by circulation size. The newspaper industry standardizes advertising prices as the cost per thousand circulation (cpm) so advertisers can compare the cost of reaching 1,000 readers at newspapers with different sizes.

This study also standardized subscription prices per thousand circulation (ppm). This does not measure prices paid by readers, but does remove the effects of circulation size and allow standardized comparisons across newspapers.

Table 6 Goes About Here

Table 6 shows clustered newspapers averaged significantly higher advertising prices in three of the four comparisons for 1988 and 1998. Clustered papers charged an average advertising cpm 44% higher than control papers in 1988. In 1998 the difference decreased to 13%. The gap in the unadjusted price of an SAU also decreased 1998. Overall, these results support H4 that clustered newspapers charge higher ad prices, but suggest the gap is decreasing.

Table 6 shows clustered newspapers did not have higher annual subscription prices in either year. However, after controlling for differences in circulation size – clustered papers were smaller than control papers[95] – clustered papers charged significantly higher subscription prices. Subscription ppm at clustered papers was 24% higher than at control papers in 1989. This difference was 23% in 1999. These results offer partial support for H5 that clustered newspapers have higher subscription prices.

Discussion and Conclusion

Profound Effects. Clustering profoundly affects the United States newspaper industry. The proportion of U.S. dailies that were part of a cluster increased in a decade from 27% to 33%. The circulation range of newspapers involved in clusters increased, perhaps because the strategy's benefits have become more apparent. Results show the composition of newspaper clusters is dynamic. Newspapers sometimes leave clusters to operate alone or as weeklies. However, the most frequent way that papers leave clusters is by merging or going out of business. This is consistent with economic theory suggesting newspaper companies will take clustered newspapers out of business to consolidate production and gain economies of scale. Clustering contributes substantially to the long-term decline in United States dailies.

Clustered newspaper markets are less competitive than markets where clustering does not exist. Results replicate Lacy and Simon's findings that clustered newspapers are less aggressive competitors.[96] The current study also found there is less competition from other newspapers in clustered newspaper markets. These results are consistent with theory describing clustering as a strategy to reduce competition from other newspapers.

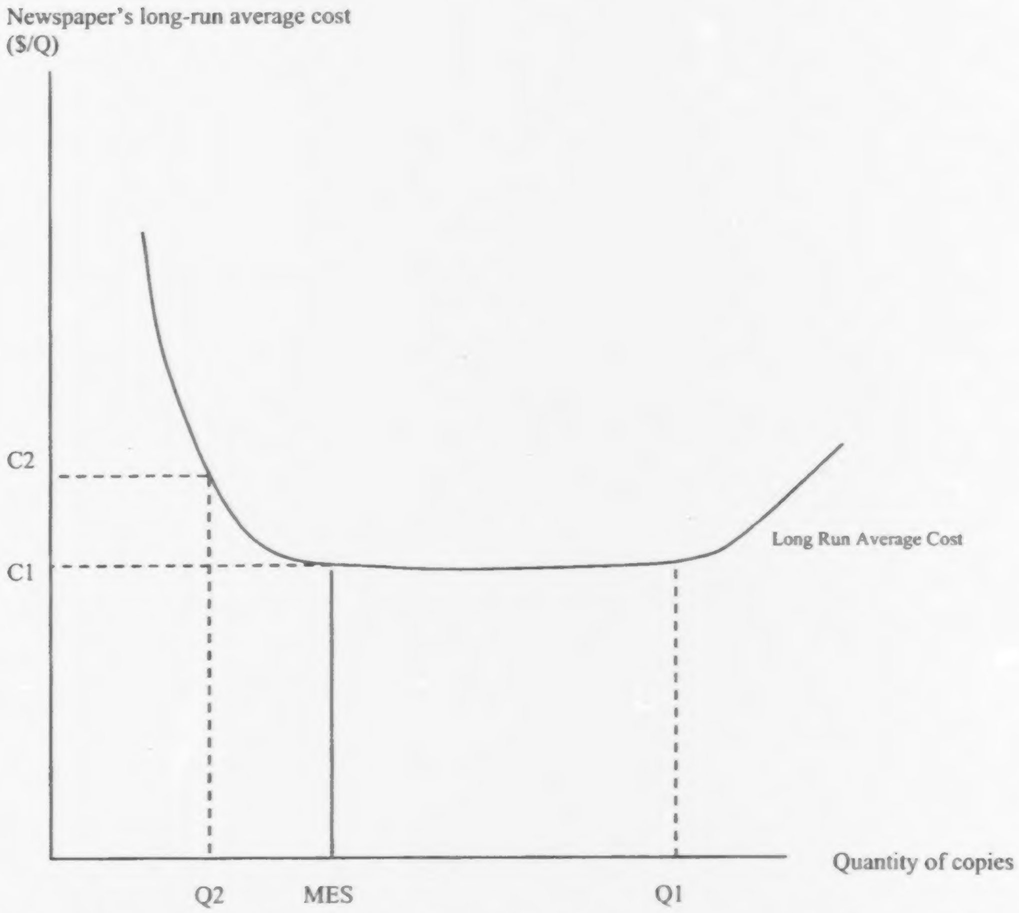
Theory predicts higher prices when there is less competition, and results suggest that is the case. Advertising prices are higher in clustered markets, and so are subscription prices after adjusting for circulation size. These results are consistent with theoretical suggestions that reducing competition allows newspapers to increase prices without risking a disproportionate loss of either advertising or readers. The difference in subscription prices was stable during the study, perhaps because readers are denied substitutes in clustered markets.

However, the gap between clustered and non-clustered advertising prices declined. This may indicate that some newspapers cluster in markets where they are weak, using clustering as a defensive strategy.[97] However, this finding is not consistent with results showing clustered markets are less competitive than non-clustered markets. Competition declined in markets with control papers during the study, perhaps allowing these papers to raise prices. This result requires further research before it can be understood.

Results show average cluster size and distance between clustered newspapers remained stable. There was a small decrease in the size of the largest clusters. These results suggest there are optimal characteristics of clusters that make the strategy effective. This is consistent with the theory suggesting clustering creates economies of scale in newspaper production and distribution. This also is consistent with theory suggesting clustering extends geographic markets without incurring the high costs of circulating in more distant areas.

Previous studies said there is an urgent need for more research and argued clustering requires scrutiny from anti-trust regulators because of its potentially detrimental effects on newspaper competition.[98] This study reinforces those concerns. Clustering reduces competition between newspapers, and reduces the number of newspapers, so it may also reduce the quality and quantity of news available to readers in clustered markets. Clustered newspapers have higher advertising and subscription prices, raising questions about the anti-trust implications of this strategy. More research is needed to directly examine how clustering affects both news coverage and price competition throughout the United States.

Figure 1
How economies of scale may deter entry into newspaper markets



The Minimum Efficient Scale (MES) is the smallest quantity of newspapers that must be produced to reach the lowest point on the cost curve. If an incumbent newspaper sells Q1 newspapers, its cost will be C1. A newspaper entering the market may only sell Q2 newspapers, so its cost will be C2. In this instance, the entering newspaper cannot lower prices enough to profitably compete.

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Table 1: *Population of Clustered Newspapers*

Year	1988	1998
Clustered Papers	442	497
Smallest/Largest Circulation	1,299-462,084	768-1,065,540
Mean circulation	22,112	26,310
Circulation standard deviation	38,659	67,948
Smallest-Largest Cluster	2-11	2-8
Mean cluster size	3.33	3.26
Cluster standard deviation	1.99	1.54
Mean Distance in Miles Between Papers	27.9[a]	27.9[a]
Distance standard deviation	22.3	17.3
States with clustered papers	39	42
Newspaper groups with clustered papers	81	82

[a] N = 200. Distance was only calculated for papers in the samples drawn from the clustered population. Samples were drawn from papers up to 100,000 circulation in 1988, and up to 106,000 circulation in 1998.

Table 2: *Why Clustered Dailies Ceased Publication*

Total from 1988 to 1998 = 80	N	Percent
Out of business or merged with another daily	51	64%
Converted to weekly publication	28	35%
Information not available	1	1%
Changed owners before ceasing publication	12[a]	15%

Note: Based on analysis of *Editor & Publisher International Yearbook* listings and information published in *Presstime*.

[a] There was no information about the last owner of four other dailies.

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Table 3: *Changes in the Number of U.S. Newspapers From 1988 to 1998*

	1988 Total	Clustered dailies ceasing publication.	Total dailies ceasing publication.	1998 Total
U.S. dailies	1,642[a]	80	153[a]	1,489[a]
Percent dailies in clusters	27%	--	--	33%
Total clustered	442			497

[a] Figures from Newspaper Association of America.

Table 4: *t-Tests of Intercounty Circulation Differences*

	1988		1998	
	Clustered	Control	Clustered	Control
Mean number of adjoining counties where paper circulates	1.19	2.44**	1.55	2.38*
Std. Deviation	2.14	3.79	2.59	3.92
Paper's mean penetration in adjoining counties	.032	.069**	.038	.062**
Std. Deviation	.069	.105	.066	.096
N	200	200	200	200

* difference between clustered and control significant, $p < .05$

** difference between clustered and control significant, $p < .005$

Table 5: *t-Tests of Differences in Market Share*

	1988		1998	
	Clustered	Control	Clustered	Control
Paper's mean penetration in its market	.24	.28*	.24	.29**
Std. Deviation	.19	.18	.17	.18
Mean penetration for other members of cluster	.07	NA	.07	NA
Std. Deviation	.11	NA	.10	NA
Mean competing daily penetration in paper's market	.39	.42	.29	.34**
Std. Deviation	.20	.20	.16	.17
Mean weekly penetration in paper's market	.41	.47	.23	.25
Std. Deviation	.41	.41	.30	.22
N	200	200	200	200

* difference between clustered and control significant, $p < .05$

** difference between clustered and control significant, $p < .005$

Table 6: *t-Tests of Differences Between Prices*

	1988		1998	
	Clustered	Control	Clustered	Control
Mean price of standard advertising unit	$14.46	$11.28*	$21.85	$20.61
Std. Deviation	$18.30	$7.79	$25.38	$20.26
Mean advertising cpm	$1.42	$0.80**	$1.60	$1.39*
Std. Deviation	$2.22	$0.39	$1.14	$0.66
Mean annual subscription price	$75.15	$78.56	$108.97	$109.96
Std. Deviation	$22.55	$27.06	$36.13	$38.83
Mean subscription ppm	$9.50	$7.24**	$14.01	$10.73**
Std. Deviation	$10.65	$5.49	$16.15	$7.09
N	200	200	200	200

* difference between clustered and control significant, $p < .05$

** difference between clustered and control significant, $p < .005$

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[1] Stephen Lacy and Todd F. Simon, *The Economics and Regulation of United States Newspapers* (Norwood NJ: Ablex Publishing, 1993), 14: Stephen Lacy and Todd F. Simon, "Intercounty Group Ownership of Daily Newspapers and the Decline of Competition for Readers," *Journalism & Mass Communication Quarterly* 74, (winter 1997), 815.

[2] "A Decade of Deals," *Presstime*, February 2000, 33.

[3] "A Decade of Deals," 33. Sales in the 1990s included 153 dailies that were sold more than once.

[4] "A Decade of Deals," 33.

[5] David Asher, "Who Owns What," *Presstime*, December 1999, 29: Jack Bass, "Newspaper Monopoly," *American Journalism Review*, July/August 1999, 64-86.

[6] See, e.g., Ben H. Bagdikian, *The Media Monopoly*, 6th ed. (Boston: Beacon Press, 2000): William B. Blankenburg, "Newspaper Ownership and Control of Circulation to Increase Profits," *Journalism Quarterly* 59, no. 3 (autumn 1982): William B. Blankenburg and Gary W. Ozanich, "The Effects of Public Ownership on the Financial Performance of Newspaper Corporations," *Journalism Quarterly* 70, no. 1 (spring 1993). David P. Demers, "Corporate Newspaper Structure, Editorial Vigor, and Social Change," *Journalism & Mass Communication Quarterly* 73, no. 4 (winter 1996): Stephen Lacy and Frederick Fico, "Newspaper Quality & Ownership: Rating the Groups," *Newspaper Research Journal* 11, no. 2 (spring 1990): Stephen Lacy and Hugh J. Martin, "Profits up, Circulation Down for Thompson Papers in 80s," *Newspaper Research Journal* 19, no. 3 (summer 1998): Stephen Lacy, Mary Alice Shaver, and Charles St. Cyr, "The Effects of Public Ownership and Newspaper Competition on the Financial Performance of Newspaper Corporations: A Replication and Extension," *Journalism & Mass Communication Quarterly* 73, no. 2 (summer 1996).

[7] Lacy and Fico, "Newspaper Quality & Ownership": Lacy, Shaver, and St. Cyr, "The Effects of Public Ownership."

[8] Lacy and Simon, "Intercounty Group Ownership," 823.

[9] Lacy and Simon, "Intercounty Group Ownership," 822.

[10] Wei-Jen Fu, "Three Essays on the Economics of Networked and Traditional Information Services" (Ph.D diss., Northwestern University, 2000): Lacy and Simon, "Intercounty Group Ownership," 823.

[11] Lacy and Simon, "Intercounty Group Ownership," 822.

[12] Mary Alice Shaver and Stephen Lacy, "The Impact of Intermedia and Newspaper Competition on Advertising Linage in Daily Newspapers," *Journalism & Mass Communication Quarterly* 76, (winter 1999), 740.

[13] Lacy and Simon, "Intercounty Group Ownership," 818-19.

[14] Lacy and Simon, "Intercounty Group Ownership," 817.

[15] F.M. Scherer and David Ross, *Industrial Market Structure and Economic Performance*, 3rd ed. (Boston: Houghton Mifflin, 1990), 160-66.

[16] Asher, "Who Owns What," 29: Bass, "Newspaper Monopoly," 66.

[17] Fu, "Three Essays": Lacy and Simon, "Intercounty Group Ownership," 821.

[18] Scherer and Ross, *Industrial Market Structure*, 163-64. Horizontal mergers can also lower costs when a larger firm acquires a smaller firm. If the larger firm enjoys lower capital costs the merger may allow the smaller firm to make otherwise uneconomical investments in new plants or equipment (Scherer and Ross, *Industrial Market Structure*, 163). This might occur if a newspaper group acquires independently owned newspapers and clusters them.

[19] David J. Teece, "Economies of Scope and the Scope of the Enterprise," *Journal of Economic Behavior and Organization* 1 no. 3, 1980, 224.

[20] Scherer and Ross, *Industrial Market Structure*, 97-98. If substantial costs are associated with setting up a production run, then average production costs decline as production increases. Product-specific economies of scale may also be available if workers become more efficient as they learn how to perform specialized tasks.

[21] Scherer and Ross, *Industrial Market Structure*, 98-99. Scale economies are associated with equipment size if output increases as size increases, and the ratio of cost to production capacity does not increase with size. A newspaper might realize these plant-level economies of scale if it can expand its press and print more copies without a disproportional increase in associated costs.

[22] Scherer and Ross, *Industrial Market Structure*, 100-02. Economies of scope result from interactions between these first two kinds of scale economies. This is because the cost of producing individual products

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is affected both by the volume of production and the size of the plant. If a single plant is not producing a large enough volume to realize all available scale economies, then producing more than one product may result in economies of scope. For instance, overhead and other costs of operating a press are spread across each day's press run. However, if printing an additional newspaper on the press does not increase these costs, the costs will be spread across still more copies. In this case there are economies of scope.

[23] James N. Rosse, "Daily Newspapers, Monopolistic Competition, and Economies of Scale," *The American Economic Review* 57, (May 1967), 527-29.

[24] Lacy and Simon, *The Economics and Regulation*, 72.

[25] William B. Blankenburg, "Newspaper Scale & Newspaper Expenditures," *Newspaper Research Journal* 10, (winter 1989), 100: James M. Ferguson, "Daily Newspaper Advertising Rates, Local Media Cross-Ownership, Newspaper Chains, and Media Competition," *Journal of Law & Economics* 26 (October 1983), 645.

[26] James N. Dertouzos and William B. Trautman, "Economic Effects of Media Concentration: Estimates from a Model of the Newspaper Firm," *The Journal of Industrial Economics* 39 (September 1990), 12.

[27] R.S. Thompson, "Product Differentiation in the Newspaper Industry: An Hedonic Price Approach," *Applied Economics*, no. 20 (1988), 372.

[28] Scherer and Ross, *Industrial Market Structure*, 164-65.

[29] Scherer and Ross, *Industrial Market Structure*, 164.

[30] Asher, "Who Owns What," 66-69: Bass, "Newspaper Monopoly," 29-30.

[31] Walter Nicholson, *Microeconomic Theory: Basic Principles and Extensions*, 6th ed. (New York: The Dryden Press, 1995), 462-63. Perfect competition assumes all firms produce a homogenous product and have identical production costs. Firms keep producing additional goods until the marginal cost of producing the last unit equals the price of the good. In equilibrium, marginal cost equals the average production cost. Firms may raise prices above marginal cost to earn positive economic profits. Economic profits are defined as any earnings above the amount a business owner would receive from the alternative of investing their capital elsewhere. However, the prospect of earning positive economic profits will convince new firms to enter the market by offering their products at lower prices, restoring equilibrium conditions.

[32] Lacy and Simon, *The Economics and Regulation*, 96-99: Rosse, "Daily Newspapers," 532.

[33] Lacy and Simon, *The Economics and Regulation*, 5.

[34] Most newspaper markets are considered closer to oligopoly – where a few firms divide a market -- or to monopoly than to perfect competition. (Lacy and Simon, *The Economics and Regulation*, 92-94: Barry Litman (" Microeconomic Foundations," in *Press Concentration and Monopoly: New Perspectives on Newspaper Ownership and Operation*, ed. Robert G. Picard, et al. (Norwood NJ: Ablex Publishing, 1988), 9: John Morton, "Chains Swallowing Other Chains," *American Journalism Review*, July/August 1997, 52).

[35] Lacy and Simon, *The Economics and Regulation*, 95, 112-15.

[36] Lacy and Simon, *The Economics and Regulation*, 114.

[37] Walter E. Niebauer Jr. et al., "Central City Market Structure's Impact on Suburban Newspaper Circulation," *Journalism Quarterly* 65, (fall 1988), 730-31.

[38] Niebauer Jr. et al., "Central City Market," 731.

[39] Stephen Lacy, "Competition among Metropolitan Daily, Small Daily, and Weekly Newspapers," *Journalism Quarterly* 61, (autumn 1984), 405.

[40] Stephen Lacy, "The Impact of Intercity Competition on Daily Newspaper Content," *Journalism Quarterly* 65, (summer 1988), 402-05.

[41] Stephen Lacy and Lucinda Davenport, "Daily Newspaper Market Structure, Concentration, and Competition," *The Journal of Media Economics* 7, no. 3 (1994), 38.

[42] Lacy and Davenport, "Daily Newspaper Market," 38-39. The study also found about 22% of U. S. counties had dailies that potentially could engage in both interlayer and intralayer competition in 1988 (Lacy and Davenport, "Daily Newspaper Market," 39).

[43] Lacy and Davenport, "Daily Newspaper Market," 43.

[44] Stephen Lacy and Shikha Dalmia, "Daily and Weekly Penetration in Non-Metropolitan Areas of Michigan," *Newspaper Research Journal* 14, (summer/fall 1993), 30. The study examined competition in 1980, 1983, 1986, and 1989.

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[45] Stephen Lacy, David C. Coulson, and Hiromi Cho, "Competition for Readers among U.S. Metropolitan Daily, Non-Metropolitan Daily and Weekly Newspapers," (School of Journalism, Michigan State University, photocopy), 13.

[46] Lacy, Coulson, and Cho, "Competition for Readers," 13.

[47] Stephen Lacy, "A Model of Demand for News: Impact of Competition on Newspaper Content," *Journalism Quarterly* 66, (spring 1989), 41: Lacy and Simon, *The Economics and Regulation*, chap. 2-3.

[48] Scherer and Ross, *Industrial Market Structure*, 32.

[49] Scherer and Ross, *Industrial Market Structure*, 374-80: Jean Tirole, *The Theory of Industrial Organization* (Cambridge, Mass.: The MIT Press, 1988), 306-11.

[50] Scherer and Ross, *Industrial Market Structure*, 396-404.

[51] William B. Blankenburg, "Newspaper Ownership and Control of Circulation to Increase Profits, " *Journalism Quarterly* 59 (autumn 1982), 395-97. The study compared Gannett newspapers with a control group to show Gannett was reducing circulation and market share more than other newspapers.

[52] Blankenburg, "Newspaper Ownership," 395.

[53] Scherer and Ross, *Industrial Market Structure*, 400.

[54] Randolph E. Bucklin, Richard E. Caves, and Andrew W. Lo, "Games of Survival in the US Newspaper Industry," *Applied Economics* 21 (May 1989), 632-34.

[55] Bucklin, Caves, and Lo, "Games of Survival," 634.

[56] Newspapers can differentiate themselves by changing the quality of the news coverage or by changing their prices. In either case, these changes will be constrained by the elasticity of reader or advertiser demand. Elasticity measures sensitivity to changes in quality or price. Let Q= the circulation of a newspaper, S = spending on the news, or quality, and P = the newspaper's prices. Elasticity of demand is $(\Delta Q/Q)/\Delta S/S)$ when quality is at issue, or $(\Delta Q/Q)/\Delta P/P)$ when price is at issue. If the result is less than 1, demand is inelastic. Readers or advertisers are less sensitive to changes in quality or price. If the result is greater than 1, demand is elastic. If the result is 1, demand is unit elastic. The point at which reader or advertiser demand becomes elastic may change if newspapers lack competition because there no available substitutes. See Lacy ("A Model of Demand," 44-47) for a discussion of this issue with regard to newspaper quality.

[57] Lacy and Simon, "Intercounty Group Ownership," 819.

[58] Shaver and Lacy, "The Impact," 734-35. The authors argued that the U.S. Justice Department has, with one exception, not investigated the potential anti-competitive effects of newspaper clustering because of an assumption that newspapers compete with other media for advertising (Shaver and Lacy, "The Impact," 730).

[59] Shaver and Lacy, "The Impact," 739.

[60] Fu, "Three Essays".

[61] Fu, "Three Essays".

[62] Barry R. Litman and Janet Bridges, "An Economic Analysis of American Newspapers," *Newspaper Research Journal* 7, (spring 1986), 10.

[63] Stephen Lacy, "The Financial Commitment Approach to News Media Competition," *Journal of Media Economics* 5, no. 2 (1992), 6-8.

[64] Lacy, "The Financial Commitment Approach," 13-14 .

[65] Lacy, "The Impact of Intercity Competition," 402-05.

[66] Stephen Lacy, Frederick Fico, and Todd Simon, "Relationships among Economic, Newsroom, and Content Variables: A Path Model," *Journal of Media Economics* 2 (fall 1989), 62.

[67] Stephen Lacy, Mary Alice Shaver, and Charles St. Cyr, "The Effects of Public Ownership and Newspaper Competition on the Financial Performance of Newspaper Corporations: A Replication and Extension," *Journalism & Mass Communication Quarterly* 73,(summer 1996), 337-39.

[68] Stephen Lacy and Hugh J. Martin, "Profits up, Circulation Down for Thompson Papers in 80s," *Newspaper Research Journal* 19, (summer 1998), 70-72.

[69] Dominic L. Lasorsa, "Effects of Newspaper Competition on Public Opinion Diversity," *Journalism Quarterly* 68, (spring/summer 1991), 44-46.

[70] Jan P. Vermeer, "Multiple Newspapers and Electoral Competition: A County-Level Analysis," *Journalism & Mass Communication Quarterly* 72, (spring 1995), 100-01.

[71] Lacy and Simon, "Intercounty Group Ownership," 817.

[72] Lacy and Simon, "Intercounty Group Ownership."

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[73] Lacy and Simon, "Intercounty Group Ownership," 822

[74] Lacy and Simon, "Intercounty Group Ownership," 822.

[75] Lacy and Simon, "Intercounty Group Ownership," 821.

[76] Lacy and Simon, "Intercounty Group Ownership," 821.

[77] Lacy and Simon, "Intercounty Group Ownership," 819-21.

[78] Shaver and Lacy, "The Impact of Intermedia," 736.

[79] Fu, "Three Essays."

[80] Lacy and Simon, "Intercounty Group Ownership," 818-19.

[81] Lacy and Simon, "Intercounty Group Ownership," 819.

[82] Commonly-owned newspapers in the same town were excluded from the study because that represents a form of vertical, not horizontal, integration. However, commonly-owned morning and evening newspapers were included in clusters if a third newspaper in an adjacent market was owned by the same group. Newspapers that were part of a joint-operating agreement were excluded because they are exceptional. Fewer than five markets with joint-operating agreements were excluded from the study.

[83] David Maddux, ed., *Editor & Publisher International Yearbook*, (New York: Editor & Publisher, 1999): Orlando Velez, ed., *Editor & Publisher International Year Book* (New York: Editor & Publisher, 1989). The yearbooks publish lists of groups and the newspapers they own. Separate listings include each paper's local address and the county where it is published.

[84] Initial identification of clustered newspapers was made using maps published by Standard Rate and Data in its comprehensive newspaper circulation listings in *American Newspaper Markets Circulation 89-90* (Malibu, CA: American Newspaper Markets, 1989-1990) and in *SRDS Circulation 99* (Des Plaines, ILL: SRDS), and by Editor & Publisher in the 1999 Yearbook (Maddux, *Editor & Publisher*). County boundaries and locations were then checked against a road atlas published by National Geographic and again using a computerized atlas, DeLorme Street Atlas USA, Version 7.0.

[85] Maddux, *Editor & Publisher*: Velez, *Editor & Publisher*. Some papers do not list annual subscription prices, so the price for the longest available period was used to calculate an annual price. For example, a weekly price was multiplied by 52.

[86] Normal probability plots show differences between expected and observed standardized scores for a variable, in this case circulation.

[87] Clustered newspapers in Los Angeles, New York, and Chicago were not eligible for inclusion in the sample because the size and complexity of the markets makes them exceptional. About three newspapers in the counties where these cities are located were excluded.

[88] Control newspapers were selected from state-by-state listings of individual newspapers in the *Editor & Publisher International Year Book* (Maddux, *Editor & Publisher*: Velez, *Editor & Publisher*).

[89] *American Newspaper Markets*: *SRDS Circulation 99*.

[90] Circulation from commonly-owned newspapers that were not part of a cluster was identified for clustered and non-clustered newspapers. For instance, a statewide newspaper might have some circulation in a distant county where its group owns another newspaper. However, this variable was dropped because the numbers were insignificant and contributed little to the analysis.

[91] Maddux, ed., *Editor & Publisher*.

[92] In 1988 clustered newspapers in the sample averaged 16,367 circulation, compared with an average of 17,195 for papers they were selected from. The control newspapers averaged 18,858 circulation, or about 15% more than the clustered papers that year. In 1998, clustered papers averaged 17,365 circulation, compared with 17,193 for papers they were selected from. Control newspapers averaged 19,330 circulation, or about 9% more than clustered papers.

[93] Market share and price variables used in the hypotheses tests were not distributed normally. However, this does not violate assumptions of the *t*-Test because "even when samples are taken from a non-normal population, the distribution of the sample means will be approximately normal for sufficiently large samples" Marija J. Norusis, *SPSS for Windows Base System User's Guide Release 6.0* (Chicago: SPSS Inc., 1993), 252.

[94] Lacy and Simon, "Intercounty Group Ownership," 821.

[95] Control papers were 15% larger in 1988, and 9% larger in 1998. See footnote 90.

[96] Lacy and Simon, "Intercounty Group Ownership," 821.

[97] For example, clustering has been used by the second newspaper in Chicago to help compete with the dominant newspaper. (John Morton, et al., "The Burbs," *Newspaper Newsletter*, 30 September 2000, 3).

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[98] Lacy and Simon, "Intercounty Group Ownership," 822-23: Shaver and Lacy, "The Impact of Intermedia," 740.

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How U.S. Television Stations are Responding to Digital Conversion

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Abstract

The study focused on the attitudes and responses of U.S. television stations to the mandated conversion to digital broadcasting. Responses from different groups of stations were applied to a theoretical model of organizational response.

Results indicated that the model was a good fit. Public stations were much more enthusiastic about conversion and more willing to implement; low-power and religious stations were pessimistic and more likely to resist conversion or exit the industry.

How U.S. Television Stations are Responding to Digital Conversion

Background

According to the Federal Communications Commission and other important industry stakeholders, the transition to digital television continues to move forward full steam ahead. As of January 2003, for example, the FCC indicated that 93% of eligible U.S. television stations had been granted a digital construction permit or license. Of stations in the top 40 television markets, 88% of eligible network affiliates are currently broadcasting a digital signal ("Summary of," 2003). This comes at a time when the cost of digital television sets continues to decline, and consumer acceptance of the technology continues to increase. By many accounts, it appears the digital transition is finally headed for some smooth sailing.

But there are still plenty of signs of dangerous waters ahead, especially for U.S. television stations required by the FCC to implement the new technology. The American media landscape has changed drastically in the generation leading up to digital technology. Deregulation in the 1980s, which climaxed with the Telecommunications Act of 1996, relaxed rules on media ownership. The result has been a tremendous increase in media mergers and consolidations, as larger companies continue to swallow up smaller ones. At the turn of the new century, the top 15 television operators accounted for 43% of total industry revenue, with that number projected to change to 10 companies controlling more than half of industry revenue within a few years (Mermigas, 1998a).

As media companies combine, their audiences have split. An explosion in program offerings and alternative channels has resulted in audience fragmentation and the development of smaller 'niche' audiences. A 1998 survey by Statistical Research Incorporated showed that the percentage of homes with more than 80 channels had doubled in just one year, while the number of homes with Internet access had doubled just since 1996 (Lafayette, 1998a).

Another issue for industry executives is the tremendous cost of digital implementation. Depending on who crunches the numbers, digital conversion can cost between one and eight million dollars per station. According to a Forrester Research study, 24% of all stations will spend more than $6 million apiece on digital upgrades (Tedesco, 1997). The National Association of Broadcasters (NAB) says that by the end of the digital transition, the industry will have invested approximately $16 billion in equipment, design and manpower (Kapler, 1998).

Consolidation, fragmentation and escalating costs have combined to cast a shadow of doubt across the entire system of media economics. Chan-Olmstead wrote, "As the media industry continues to develop with sophisticated technologies … it renders current models of competition in mass media obsolete" (1997, pp. 39-40). Industry leaders have begun to question the standard advertising revenue model and whether it can support the broadcast media in this new age. According to Lefton (2001):

> Technology is making traditional commercials obsolete. With hundreds of cable and satellite channels, viewers have more reason than ever to surf during commercial breaks. And before long viewers will be able to order programs on demand … probably the deathblow to traditional commercial breaks.

A study from PricewatershouseCoopers revealed that digital television will require new business models, new programming models and more efficient systems (Mermigas, 1998b). But exactly what economic models and systems will support the untested technology remains a mystery to most station owners and industry executives. Said former FCC chairman William Kennard, "Nobody—nobody—can predict, with any degree of certainty how it's all going to work out" (West, 1998, p. S7).

All of these factors have combined to create an uncertain environment for digital television and a very uncertain future for television broadcasters. A few years ago, FCC chairman Michael Powell called the situation "a potential train wreck. The government-mandated schedule will force broadcasters to spend billions before they have any inkling of what consumers prefer" (McConnell, 1998, p. 14).

This study attempted to assess this 'potential train wreck' from the perspective of U.S. television stations. Would these issues related to digital conversion have different effects on different types of stations? Specifically, the study focused on digital conversion in regards to four groups of U.S. television stations: public, religious, low-power, and commercial. Each of these groups faces unique challenges associated with the digital conversion, and could potentially respond to the conversion in different ways.

For example, unlike the other groups, public stations will receive support from the federal government to help defray digital conversion costs. Various estimates place the cost of digital transition for all the country's public stations at around $1.8 billion. Of that amount, public broadcasters have asked the federal government to pay between $600-700 million over a five-year period, with public stations picking up the rest ("Frequently asked questions," 2000). While Congress has balked at the proposal and offered much less in terms of funding, there is no doubt that public broadcasters will get a significant amount of government help, probably in the neighborhood of 33%-50% of the total digital conversion cost ("Current funding," 2001).

Low-power (LPTV) and religious stations will certainly face more financial hardship in the digital transition. Many religious stations do not have commercial viability, due either to poor program ratings or ethical reluctance to embrace advertising. As a result, such stations operate with budgets far less than those of secular broadcasters (Armstrong, 1979). Religious broadcasting has developed an economic model based mainly on viewer support, but with advertising growing in significance. Many religious broadcasters say this model will not survive the digital conversion, forcing many stations off the air or into consolidation (Schultz, 2000).

LPTV stations operate at less power and have far smaller audiences than full-power stations, and in formulating digital television policy the FCC has maintained the 'secondary' status of low-power stations. At one time the FCC estimated that fully 45% of all LPTV stations would either have to change their operation or cease to exist ("TV translators," 1999). In 2000, the FCC finally accorded LPTV station owners a measure of protection, creating for them a Class A television service. Qualifying stations would be considered 'primary' television broadcasters, subject to the same license terms and renewal standards as full-power stations ("Commission adopts rules," 2000).

Theory and Research Questions

The study attempted to assess how these different stations would act, primarily through the application of a theoretical model of organizational response (Oliver, 1991). It would be much simpler to make assessments strictly on financial resources, but that may not be the most comprehensive method. Oliver argued that, "The likelihood that organizations will conform to institutional pressures is not exclusively dependent on the legitimacy or economic rationality anticipated by conformity (p. 165)."

Instead, Oliver described organizational behavior as a strategic response to institutional changes (such as the government-mandated conversion to digital television). In the face of change or institutional pressures, organizations react based on a variety of factors. Such outside pressures must be viewed in terms of what is causing the pressure, which constituents are exerting the pressure, the content of the norms to which the organization is being pressured to conform, the means by which the pressure is exerted and the environmental context in which they occur (see Table 1).

For example, Oliver defined the cause of institutional pressures as "the rationale, set of expectations, or intended objectives that underlie external pressures for conformity (p. 161)." This cause is generally defined in terms of either legitimacy (social fitness) or efficiency (economic fitness). In terms of the cause, outside pressures can make the organization either more socially fit (such as laws regarding safety conditions) or more economically fit (such as laws that promote business efficiency).

In a similar vein, organizations depend on a variety of constituents. In the case of multiplicity, such constituencies are multiple and conflicting. The level of dependence organizations have on such constituencies also varies. For example, public television stations are highly dependent on both the government and private donors for funding. By contrast, commercial stations are more dependent on advertisers and the viewing public.

The content of the outside pressure is also important. Sometimes, such content is compatible with the internal goals of the organization. It could be argued that deregulation of ownership limits on television stations is compatible with business goals at those stations. If the organization believes the content is not compatible with internal goals, there is a higher level of constraints and a lower level of consistency. For example, many stations might view the legislative ban on cigarette advertising as a constraint.

The institutional factor of control refers to the level of sanction or coercion involved with the outside pressure. The threat of legal coercion or enforcement can be quite high, as in the case of digital television. The FCC has mandated the conversion, and stations that do not comply face the potential loss of their operating licenses. In some cases, control can be voluntary and less severe. This would apply to regulations and operating procedures of stations that belong to the National Association of Broadcasters (NAB). The NAB has rules and regulations for member stations, but compliance is mostly voluntary.

Finally, the context of the outside pressure can influence organizational behavior. There can be a high degree of environmental uncertainty in which the pressure takes place. This would refer to a situation in which business conditions cannot be accurately anticipated or predicted. There is often a high degree of environmental uncertainty when new media technologies emerge, such as the chaotic early days of radio and television.

The degree of interconnectedness is also important in the context of outside pressure. This refers to the level of inter-organizational relations among occupants of a given industry. It is possible that broadcast stations act with higher degrees of interconnectivity in the face of uncertain environments. Such stations might want to work together (through such organizations as the NAB) to promote common interests and overcome unforeseen obstacles.

Based on these conditions, Oliver theorized that organizations will make specific strategic responses. How the organization perceives the outside pressure for change will determine how it reacts. For example, if an organization feels like the outside pressure is socially legitimate and economically efficient, it should respond with high acquiescence and avoid strong resistance. However, if an organization has strong, conflicting, multiple constituencies, and the content is viewed as constraining rather than consistent, the reaction is more likely to be open defiance of the outside pressure.

This model has direct application to television stations and the digital conversion. The factors related to digital conversion vary for each group of stations. This would include such things as FCC timetables, the cost of conversion, the strength of conflicting constituencies, etc. Therefore, it would be logical to assume that different groups of stations would have different responses to the digital conversion process. 'Responses' could mean one of several things in this context. It could be a planned economic response, a response in terms of timetables for implementation, a response related to future management styles, etc. This led to the following research questions, which guided the study:

RQ1: What are the responses to digital conversion for the four groups of stations?

RQ2: What are the causes or attitudes that are shaping station response to digital conversion?

Methodology

A questionnaire was developed to answer the research questions and gauge the attitudes and behaviors of decision-making executives for each type of station in the study. Most names, addresses, stations and station information used in the questionnaire sample were gathered from the *Broadcasting & Cable Yearbook* (2001). When necessary information was missing, gaps were filled from TV station application information at the FCC, which keeps more detailed records than the *Broadcasting & Cable Yearbook*. Using these sources, a stratified sample of broadcasting executives was created. These executives included owners, presidents, managers or anyone else with ultimate decision-making power at the station. An nth-series method was used to build the sample, taking every fifth station from the industry listings. This method led to a total sample size of 330.

The research questions were assessed with a postal questionnaire in the fall of 2001. Originally, the questionnaires were designed as an electronic mail instrument, but a pilot test conducted in the spring of 2001 found low response rate problems with this method. Response was much better for a postal version of the pilot test; therefore, the researcher decided to conduct the survey by U.S. mail. The mailings were conducted in October 2001, and based on Dilliman's (2001) total design method, which emphasizes repeated contacts. Contacts included a pre-notification letter, the questionnaire and cover letter, and finally follow-ups by mail, phone and electronic mail.

Of the 330 initial contacts made, a total of 11 were refused or returned as undeliverable. This left 319 valid possible respondents, of which 104 actually returned a completed questionnaire, for a response rate of 32.6%. Of this total, the highest return rates came from public (60%) and commercial (25%) station respondents.

Response for the mailing may have suffered because of some unfortunate circumstances. Shortly after the first questionnaires went out, television newsrooms across the country began receiving the anthrax bacteria in the mail. Three people died, and traces of the bacteria were confirmed in mailings sent to NBC and CBS in New York. At least three television station representatives called the researcher and said questions about safety prompted them to have local law enforcement open the manila envelopes in which the questionnaires were mailed.

These developments had obvious implications for response rate and potential non-response error. As a result, the researcher conducted qualitative, in-depth, phone interviews with executives at commercial, public, religious and low-power stations. These interviews were conducted in October 2001 and April 2002, and the results were used to supplement the quantitative data of the study.

Results

RQ1: What are the responses to digital conversion for the four groups of stations?

Station executives from each of the four groups were asked their specific responses to the digital conversion process (see Table 2). In terms of economic response, the top choices were creating outside revenue streams (33%), improving the existing economic model (27%) and developing new economic models (25%). There were some slight differences among the stations regarding their planned economic changes, but overall these differences were not considered statistically significant at the .05 level ($\chi^2 = 22.25$, df = 15, p = .10).

But there were some interesting differences regarding new revenue possibilities and the timetable for digital implementation. Stations were asked if they had begun investigating new ways of producing revenue after digital conversion (see Table 3). Public stations were significantly more likely to have begun these investigations than the other responding groups ($\chi^2 = 10.86$, df = 3, p = .01). Public stations where also much more likely than other responding stations to have already converted to digital broadcasting (see Table 4). When tested with a chi squire, this was also significant at the .05 level ($\chi^2 = 19.40$, df = 9, p = .02).

The proportion of religious stations that indicated plans to sell (9%) was higher than commercial stations (4%), public (0%) and low-power (0%) stations. Respondents were also asked their attitudes about selling the station on a scale of one to seven, with one indicating no desire to sell and seven indicating a high desire to sell (see Table 5). There was a significant difference at the .05 level between low-power stations (mean = 4.56), commercial (2.30), religious (2.05) and public (1.38). An analysis of variance (F = 11.12, df = 97, p < .001) confirmed that low-power stations were much more likely to sell compared to all other station groups. A Scheffe test indicated that the mean differences between low-power stations were statistically significant at the .05 level compared to public (3.18), religious (2.51) and commercial stations (2.25).

RQ2: What are the causes or attitudes that are shaping station response to digital conversion?

In addition to specific responses, station executives were also asked about their attitudes toward digital conversion. In many cases, these attitudes had a direct bearing on how stations have approached the conversion process. For example, one question asked executives how they perceived digital television would benefit their stations (see Table 6). In this regard, an ANOVA revealed a statistically different attitude among public stations versus other station groups (F = 30.24, df = 100, p < .001). Public stations had a much higher perception of benefit that did other station groups, and going by mean responses, only public stations perceived any positive benefit from the digital transition.

Public stations also attached much more importance to digital technology as a whole. Executives were asked how important digital technology would be in the future management of their stations (see Table 7). An ANOVA suggested a significant difference between public stations and other station groups on this issue ($F = 11.29$, $df = 99$, $p < .001$), as public stations perceived digital technology as much more important.

In terms of economic attitudes, one question asked executives if current revenue would continue to sustain the station after the digital transition (see Table 8). An ANOVA indicated a significant difference between the station groups on this issue ($F = 2.85$, $df = 103$, $p = .04$). Although a Scheffe test failed to indicate significant differences between individual station groups at the .05 level, the data seemed to indicate that low-power and religious stations were much more pessimistic on this issue compared to public and commercial stations.

Discussion

Results of the study suggested that public stations perceived much more benefit and importance from the digital conversion than did other station groups. This would explain why public stations had begun implementing digital technology at a faster rate than other stations, and had also been much quicker than other stations in terms of investigating potential new revenue streams.

Regarding the Oliver model, it appears that in terms of the cause (see Table 1), high levels of legitimacy and efficiency were major influences for public stations. Oliver wrote, "When an organization anticipates that conformity will enhance social or economic fitness, acquiescence will be the most probable response" (1991, p. 161). Public station respondents felt optimistic about the digital conversion, which they viewed as something that would ultimately enhance the station's economic fitness. As a result, they have taken a very enthusiastic approach to digital conversion.

Many of these observations were confirmed in an interview with John Henson of KTXT in Lubbock, Texas. Mr. Henson is the Associate Vice Provost for Telecommunications at Texas Tech

University, which owns and operates KTXT. The station is an affiliate of PBS, and Mr. Henson estimated that conversion costs would run about five million dollars.

According to Mr. Henson, the digital conversion process will not mean substantial economic changes for KTXT. "We will continue to depend on [government] grants," he said. "I don't foresee increased university support, which leaves underwriting and viewer support. But there's no doubt we can come up with the money for our [local] programming and network programs" (J. Henson, personal interview, April 16, 2002).

Mr. Henson also indicated that public broadcasters in Texas were working on funding models as a group, through the Texas Public Broadcasters Association (TPBA). "The bigger stations have taken the lead in developing foundation and federal grants," said Mr. Henson, referring to the traditional economic sources from which public broadcasters have relied on for support (J. Henson, personal interview, April 16, 2002).

Other groups of stations, notably religious and low-power, have resisted digital conversion, or at least not been as enthusiastic about implementation. This also fits Oliver's model in that organizations with low consistency are less likely to acquiesce or compromise. According to Oliver (1991, p. 154), "Defiance and manipulation strategies are predicted to occur most frequently when consistency is low. The organization may unilaterally dismiss or challenge [outside requirements]."

This was further confirmed in qualitative data provided by Greg Phipps and Ken Mikesell. Mr. Phipps owns two low-power stations, WOHL and WLQP, both in Lima, Ohio. Not all low-power stations have to convert to digital, but the conversion process still has a profound effect on LPTV stations. "The big danger is displacement," said Mr. Phipps. "Many stations are knocked off the air because bigger commercial stations need the space. Overall, the spectrum is really crowded and many low-power stations don't have channels to move to" (G. Phipps, personal interview, April 16, 2002).

Mr. Phipps said that while WOHL received Class A designation and was thus protected from displacement, WLQP was not protected. As a result, he said he would "seriously listen to any legitimate offer" to buy the station. "All I read in the industry papers is to brace and get ready for a wave of consolidation," he said. "The pundits say all the [low-power] stations will be bought up" (G. Phipps, personal interview, April 16, 2002). Such stations are attractive targets for larger media companies looking to expand their consolidation efforts.

As a result of these conditions, Mr. Phipps said he is doing the digital conversion as cheaply as possible. He projects total conversion costs for the two stations at under $100,000. "Long range planning is really tough because there are so many questions," he said. "With no market and a small audience, we'll hang on to our analog signal as long as we can" (G. Phipps, personal interview, April 16, 2002).

Ken Mikesell is the general manager of WTGL in Orlando, Florida. WTGL is a non-commercial religious station owned by Good Life Broadcasting, which also owns a commercial religious station in the state. Although he would not give specific figures, Mr. Mikesell said the cost of converting a non-profit station was "horrific."

Because of high conversion costs, WTGL will not go digital for at least a year. "We feel we are being forced to sell a valuable asset to settle for a non-commercial station," said Mr. Mikesell. "This is a real problem for religious stations" (K. Mikesell, personal interview, October 10, 2001). Mr. Mikesell added that WTGL needs to create new economic models, such as leasing unused spectrum space, but the financial reality of the situation has not allowed the station to do that. "We are really struggling with this conversion," he said. There is no money to convert and I don't see any for several years. Am I missing something?" (K. Mikesell, personal interview, October 10, 2001).

As for commercial stations, the majority had not yet converted to digital technology and barely half had started investigating new revenue opportunities (see Tables 3 and 4). Many of these stations saw little or no benefit from the digital conversion process, and did not particularly feel that digital technology would be important in the future management of the station (see Tables 6 and 7). This environmental uncertainty has created a situation in which economic changes will come slowly and tentatively. Thus, while commercial stations expressed a desire to explore new revenue opportunities, uncertainty has forced many stations to 'play it safe,' and try to improve existing economic models in the short term.

Again, this has application to the Oliver model. Oliver wrote, "When the environmental context is highly unpredictable and uncertain, an organization will exert greater effort to reestablish the illusion of control and stability. Acquiescence, compromise and avoidance strategies will be most likely to occur" (1991, p. 170). Until commercial stations know more about digital implementation, many have taken the road of compromise, acquiescence and maintaining the economic status quo.

Qualitative data also supported this conclusion. An interview was conducted with Charles Collins, station manager at WLTZ television in Columbus, Georgia. WLTZ is a commercial station affiliated with the NBC network and owned by Lewis Broadcasting. On May 1, 2002 WLTZ became the first station in the Columbus market to convert to digital technology, with estimated conversion costs of one million dollars.

According to Mr. Collins, high conversion costs and continuing economic uncertainty have prevented the station from exploring alternative revenue possibilities. "We haven't figured out how to recoup the costs yet, so we have to bite the bullet," he said. "We don't know what we're doing, so we'll convert as we go along. That means we'll do what we're doing now and simply convert the signal to digital" (C. Collins, personal interview, April 16, 2002).

Mr. Collins ruled out alternative revenue models such as multicasting. Even though the station has the capability of multicasting, he did not see it as a viable alternative. "We need time to figure out what's going on," he said. "We're going the cheapest way possible for the time being" (C. Collins, personal interview, April 16, 2002).

Limitations and Future Research

The major weakness the study was the low response rate, which certainly makes general applicability more difficult. Every effort was made to improve response, which as previously mentioned, may have suffered from some unfortunate problems of timing.

It is also important to consider the economic time frame in which the study took place. The national economy showed consistent weakening throughout 2001, and when it showed signs of recovery, the terrorist attacks in September delivered another serious blow. "It will take [our station] many years to recover from September 11," wrote one public station respondent. Thus, the results of this study could be considered only a "snapshot" of a particular moment within the evolving digital landscape. It is possible that changes in any of these factors could change the attitudes and responses of station executives regarding digital television.

The limitations of the study suggest the need for investigation over a longer period of time. A useful approach might be investigating station response during several distinct time periods. For example, response could be measured before the digital conversion, shortly after the conversion, and then a period of years after the conversion. This would allow the researcher to account for volatility in the environment, such as the economy or government activity. It could also measure how respondents' attitudes and activities regarding digital television have changed over time. This would give the researcher a greater breadth of information regarding the actual impact of the digital conversion.

The results also suggest that perhaps future studies should concentrate more on the differences within each group of stations. The difference between stations, such as public, religious and commercial, are big enough as to make comparison difficult. It might be more useful to study the differentiation in each of these groups, such as responses between religious group stations and religious stand-alone stations.

There also a variety of other theoretical approaches which could be applied in this area. According to Rogers (1983), the personal characteristics, values and belief systems of those adopting the new technology plays a crucial role in how and when that technology becomes implemented. For example, the younger 'innovator' group adopts new technologies earlier and faster than the older, more traditional 'laggard' group. This theory could have important implications for broadcasters adopting digital technology, and could possibly fill in any holes in Oliver's strategic response model.

While Rogers focused on individual responses, Greve (1998) applies diffusion theory to organizations, and specifically the radio industry. In his study of why radio stations change formats, Greve found that entry into a new market is a diffusion process where a critical factor is the imitation of early adopters. His findings provided an important insight into how stations will adapt and what path they will choose to follow.

Conclusions

The Oliver model seemed a good fit for this study, and suggested that different groups of stations will respond differently to the digital conversion process. Public stations had much more positive attitudes about digital conversion, which has led them to embrace the process much more quickly. Low-power and religious stations were the most likely targets of consolidation or getting out of the industry.

The data also pointed out a high level of uncertainty in the current television environment, which has created an interesting paradox for television broadcasters. They know that despite uncertainty, extreme industry pessimism and a poor national economy, their stations remain extremely valuable properties. This is reflected in the fact that only 2% of responding stations indicated plans to sell. According to Nat Ostroff of Sinclair Broadcasting, "Digital television is like an oceanfront lot. You know you're going to build something very valuable on it, even if you don't have the design ready" (Lafayette, 1998b, p. 3).

The problem is, while most broadcasters still don't have the design ready, they still believe that the digital conversion required them to 'do something.' Looking at all stations as to their planned response to digital conversion, less than 10 percent indicated that no change would be made (see Table 3).

Again, these responses could likely change as the digital era moves forward, and station managers get more access to information that makes long-range planning easier. Exactly what specific response stations will ultimately make remains to be seen. But many of them face the same situation as Alabama Public Television. Judy Stone, executive director of Alabama PTV, figured that starting next fall the organization needs to receive $2.5 million dollars a year from the state legislature. "Failure," she said, "is not an option" (Behrens, 1998).

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Table 1: Antecedents of strategic responses

Institutional Factor	Predictive Dimensions
Cause	Legitimacy or social fitness
	Efficiency or economic fitness
Constituents	Multiplicity of demands
	Dependence on constituents
Content	Consistency with group goals
	Constraints imposed on group
Control	Legal coercion or enforcement
	Voluntary diffusion of norms
Context	Environmental uncertainty
	Environmental interconnection

Source: Oliver, Christine. (1991). Strategic responses to institutional process. *Academy of Management Review, 16*, (1), 160.

Table 2: Planned economic changes as a result of digital conversion

Response	Number of responses				
	Commercial	Religious	LPTV	Public	Totals
Improve existing model	6	4	1	16	27
Develop new economic models	3	4	1	17	25
Create new revenue streams	10	7	4	12	33
Sell station	1	2	0	0	3
No changes	3	3	3	1	10
Other	1	1	1	2	5
Totals	24	21	10	48	103

Note: Other included responses such as receiving more government funding, loans, etc.

N = 103

$\chi^2 = 22.25$

df = 15

p = .10

Table 3: Whether stations had begun investigating new revenue opportunities

Station group	Number of Responses	
	Yes	No
Commercial	12	12
Religious	11	10
Low-power	4	6
Public	39	10

n = 104

$\chi^2 = 10.86$

df = 3

p = .01

Table 4: When stations would begin broadcasting in digital

Responding group	Number of Responses			
	Already digital	Within 6 months	6 months-1 year	Longer/1 year
Commercial	1	6	12	5
Religious	1	1	6	12
Low-power	0	1	4	5
Public	9	9	8	23

n = 105

$\chi^2 = 19.40$

df = 9

p = .02

Table 5: Attitude of responding stations toward selling

Responding group	n	SD	Mean
Low-power	9	1.74	4.56
Commercial	23	1.61	2.30
Religious	21	1.83	2.05
Public	45	1.28	1.38

Responding group	Compared to	Mean difference
Low-power	Public	3.18*
	Religious	2.51*
	Commercial	2.25*

Note: * indicated these differences were significant at .05 level according to Scheffe test. Responses ranged from 'one' representing not interested in selling to 'seven' representing very interested in selling.

N = 98

F = 11.12

df = 97

p < .001

Table 6: Station perception of digital benefit

Responding group	n	SD	Mean
Public	47	1.19	5.91
LPTV	10	2.18	3.10
Commercial	23	1.57	3.00
Religious	21	1.94	2.81

Responding group	Compared to	Mean difference
Public	Religious	3.10*
	Commercial	2.91*
	Low-power	2.81*

Note: * indicated these differences were significant at .05 level according to Scheffe test. Responses ranged from 'one' representing low benefit to 'seven' representing high benefit.

N = 103

F = 30.24

df = 100

p < .001

Table 7: Importance of digital technology to future station management

Responding group	n	SD	Mean
Public	46	1.08	6.26
Commercial	23	1.93	4.87
Religious	21	2.22	4.05
Low-power	10	1.85	3.90

Responding group	Compared to	Mean difference
Public	Low-power	2.36*
	Religious	2.21*
	Commercial	1.39*

Note: * indicated these differences were significant at .05 level according to Scheffe test. Responses ranged from 'one' representing ‘no importance’ to 'seven' representing ‘high importance.’

n = 100

F = 11.29

df = 99

p < .001

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